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THE JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES

MAY 1958

PRICE 2s. 6d.

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Incorporated by Royal Charter May 11, 1880

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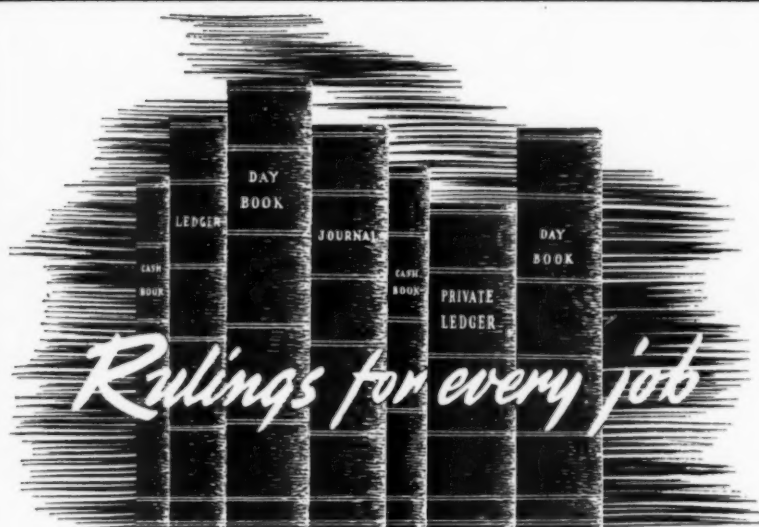
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Editorial and Advertisement Offices of ACCOUNTANCY:

23 ESSEX STREET, LONDON, W.C.2

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The Journal of THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ESTABLISHED 1889

VOL. LXIX

MAY 1958

NUMBER 777

The annual subscription to ACCOUNTANCY is £1 10s., which includes postage to all parts of the world. The price of a single copy is 2s. 6d., postage extra. Editorial and Advertisement Offices: 23 Essex Street, London, W.C.2.

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Professional Notes

The Annual Meeting

THERE WAS A good attendance at the annual meeting and the special meeting of the Institute of Chartered Accountants in England and Wales, held on May 7.

In the non-domestic part of his presidential address at the annual meeting Mr. W. H. Lawson, C.B.E., F.C.A., concentrated upon two main topics. One was the Budget. The President welcomed three reforms giving effect to some of the recommendations of the Royal Commission, recommendations which the Council of the Institute, in a memorandum to the Chancellor, had classed as of the highest priority. The reforms were the conversion of the profits tax to a flat-rate tax and the cancellation of the potential liability on outstanding non-distribution relief; the extension of many of the time limits under the taxing Acts; and the partial extension of the Schedule E

expenses rule by the allowance of subscriptions to professional bodies. The other general issue discussed by Mr. Lawson was the advent of receiptless business, consequent upon the Cheques Act of last year. He welcomed the change, which was bringing important economies and, on the whole, need produce no untoward difficulties for businessmen or auditors.

Integration was inevitably the dominant theme in the President's review of the domestic scene. "The formidable task of absorbing members of the Society into our membership and of bringing them into the life and activities of the Institute has proceeded smoothly and, I think, quickly." (It may be noted that with those admitted at the recent meeting of the Council, the total of former members of the Society now in membership of the Institute is almost 9,600). "It is much too early to judge

the full effect of the scheme," the President went on to say, "but it is already apparent that it is bringing about a sense of unity in the profession which did not previously exist."

The special meeting following the ordinary meeting was called to consider a resolution for the adoption of new bye-laws providing for higher rates for most subscriptions. The President explained that at present rates, which were fixed as long ago as 1949, the subscriptions would bring in £140,000 this year, but if the value of money was the same as in 1949, this subscription income would be worth £203,000. The deficit incurred in 1957 and the one that would be incurred this year had to be made good, the accumulated fund had to be restored to a sum at least as great as the total of the funds of the Institute and the Society, and it was necessary to provide a larger income for increased expenditure in the future. Part of that increased expenditure would result from a new headquarters building, which was badly needed.

There were some speeches from members in opposition to the proposed increases in subscriptions, but in the event the new bye-laws were approved on a show of hands by an overwhelming majority.

We reproduce the President's address at the annual meeting on pages 223-6 and we report the proceedings at the two meetings on pages 261-5.

Preparation of Stockbrokers' and Jobbers' Balance Sheets

IN 1954 THE London Stock Exchange brought in regulations requiring members and firms trading on the Exchange to have annual balance sheets prepared by independent qualified accountants (Rule 79A and Appendix 1). We reported these regulations in our issue of January, 1954 (pages 2-3) and commented further in our issue of July, 1956 (page 262).

It is now proposed to make an amendment to Rule 79A ensuring that in preparing the balance sheet as required by the Rule, the accountant

shall have access to all necessary books and supplementary records and shall be furnished with such information and explanations as he may reasonably require.

The proposed amendment would further provide that when submitting the balance sheet to the firm the accountant should attach to it a report setting out the extent of his examination.

In addition, the proposed amendments to the Rule would require every partner when seeking re-election to the Stock Exchange to state that he had seen the report by the accountant and had examined, approved and signed the balance sheet.

We shall report later the decision on the proposal to amend the Rule.

Inspection of Companies

BY THAT PART of the Companies Act, 1948, headed "Inspection" provision is made for the investigation of the affairs of a company, both on the application of members and otherwise. The Board of Trade has a wide discretion in the matter of appointing inspectors to investigate, but not if the company by special resolution or the court declares that an investigation ought to take place, when the Department must arrange an investigation. There is no fully reported instance of an investigation after a court order and there seems no doubt that such orders have been extremely rare. In the case of *Re Helmsfield, Ltd.* (see 108 *Law Journal*, 245) Wynn-Parry, J., was asked to make an order but declined to do so because there was in the circumstances another remedy available.

The applicant for an order was a single shareholder who was also a director. He supported his application by alleging that he had been denied any information by the managing director, that he had not received notices of Board meetings, that he had been refused any part in the business of the company, and that large payments out of the funds had been made for the managing director's apparent benefit. Wynn-Parry, J., agreed that these matters required investigation, but thought that the court ought to be slow to

exercise its discretion under the Act and set in motion the whole of the statutory machinery, unless something was shown to have occurred so as to make the procedure necessary. After the application had been made to the court the company had offered to have its affairs investigated by an independent auditor to be agreed between the parties, or, in default of agreement, to be nominated by the President of the Institute of Chartered Accountants in England and Wales. The applicant had originally suggested an investigation in this form.

The fact that the court may be reluctant to exercise its powers under Section 165 (a) to set in motion a Board of Trade investigation by inspectors does not mean that those powers are of no help to a dissatisfied minority of shareholders. The mere existence of the power, coupled with the right to go to the court to ask it to use it, may lead a company to give satisfaction to a reasonable complainant.

Autumn Meeting of the Institute

ON PAGES 270-1 of this issue of ACCOUNTANCY we give, in rather more detail than was available last month, the programme of the Autumn Meeting of the Institute of Chartered Accountants in England and Wales, to be held in London on October 2 to 4 at the invitation of the London and District Society of Chartered Accountants. It will be seen from the programme that a feature is the very varied and attractive list of visits and social events. Members of the Institute are invited to apply as early as possible, and a special welcome is extended to former members of the Society, for whom the occasion presents the first major opportunity to take part with their ladies in the activities of the enlarged Institute.

We understand that some firms of practising accountants have been asking whether tickets could be interchangeable among the partners so that, for example, one partner could attend the reception and dance at the Festival Hall on the Thursday evening and another partner the banquet at Grosvenor House on the

Friday evening. We are informed by Mr. C. J. M. Bennett, the Honorary Secretary of the Autumn Meeting Committee, that there would be no objection to arrangements on these lines.

Housing Decontrol Delimited

THE NEW Landlord and Tenant (Temporary Provisions) Bill imposes restrictions on landlords of decontrolled houses of a rateable value in excess of £40 in London and Scotland and £30 elsewhere.

A landlord will not be entitled to enforce his right to possession except by order of the Court, unless the tenant retains possession under a new tenancy agreement.

During the period of the suspension of the operation of the notice, the tenant will continue in possession on the terms of paying a rent equal to twice the 1956 gross rateable value exclusive of rates, and in addition an annual charge of a reasonable amount for any services and furniture that may be provided by the landlord. The tenant will be responsible for all internal decorations and repairs, and the landlord for all other repairs, required to make good damage or dilapidations occurring since the date of the expiry of the notice to quit.

In proceedings for recovery of possession the Court will be empowered to suspend the execution of the order for a period of between three and nine months, and subsequently to continue the suspension for periods not exceeding six months at any one time.

If, however, the landlord has before April 2, 1958, entered into an agreement for the sale or letting of the house to a third person, who requires the house for his own occupation or for that of a child over eighteen or a parent, the Court cannot suspend the order beyond the date at which the owner is obliged to give vacant possession pursuant to his agreement.

Certain conditions must be satisfied before a tenant can be entitled to a suspension. He must have made all reasonable efforts to secure agreement with the owner for a tenancy

for a term of at least three years; he must have been unable, after taking reasonable steps, to obtain alternative accommodation; he must have paid or offered to pay all rent due from him down to the date of the hearing; and it must be shown how greater hardship would be caused by making an order for possession than by granting a suspension.

Interest on Moneys of Solicitors' Clients

IN A STATEMENT issued by it at the end of 1955, the Council of the Law Society said that, if it could "reasonably or practicably" be done, interest accruing on a bank deposit containing clients' moneys must be credited to the clients. The vagueness of this advice has now been removed by the issue of a further statement, which practising accountants will wish to note. The statement is:

In the opinion of the Council a solicitor may properly place clients' money on deposit with a bank. This is clearly provided for by the Solicitors' Account Rules, 1945. It is permissible, as a matter of professional practice, for the solicitor to retain for his own benefit the interest accruing from such deposit, provided always that where a solicitor places on deposit a specific sum for a named client or clients, the interest arising therefrom must be credited to the client or clients, and not to the solicitor.

Where the solicitor is entitled to retain the interest for his own benefit he should, where possible, arrange with his bank that the interest be credited direct to his office account and not to his client account. If the interest is credited to the client account it can only be transferred to office account with the prior approval of the Council, under Rule 8 of the Solicitors' Accounts Rules, 1945. While the Council are always willing to consider such applications, work can be avoided if interest is credited to office account.

Trial of Restrictive Practices

A NEW COURT sat for the first time last month. It was not quite like the ordinary courts of justice because in addition to three judges there were

four lay members (including Mr. W. G. Campbell, B.A., F.C.A., a member of the Council of the Institute of Chartered Accountants in England and Wales) and no judicial robes were worn. However, in other respects the ordinary procedure of the English courts was followed and Counsel addressed the Court as "Your Lordships."

The Court was the Restrictive Practices Court set up under the Restrictive Trade Practices Act. At this first sitting of one day, the Court did not have much business to do, but it will be active from October 6 when it has its first extended hearing upon a trading agreement (that of the members of the Chemists' Federation). It is thought that from the Hilary term next year there will be sufficient work to keep the Court sitting continuously in two divisions.

It was stated at the first sitting that there were then forty-six cases in preparation for consideration by the Court.

Variation of Trusts

THE PASSING OF the Variation of Trusts Bill through its third reading in the House of Commons last month makes it virtually certain that this Private Member's Bill will become law (see ACCOUNTANCY, January, 1958, page 5). The Bill extends the power of the Court to approve variations of trusts on behalf of persons not *sui juris*, such as infants and lunatics.

The extension of the jurisdiction of the High Court exercised by the Chancery Division was made necessary by the decision of the House of Lords in *Chapman v. Chapman* [1954] A.C. 429, where it was held that the Court has no inherent jurisdiction to sanction the rearrangement of trusts on behalf of persons not *sui juris*.

During the passage of the Bill through the Commons one point discussed was whether the Court should exercise its jurisdiction in varying trusts in the normal way in private (that is, in chambers) or in open Court. The Bill, as it now stands, does not alter the normal practice of hearing such matters in private.

The Bill does not give full effect to the Law Reform Committee's Sixth Report (upon which we commented in our note last January), as it does not give the Courts jurisdiction to break Parliamentary entails, neither does it implement the Committee's suggestion that the settlor of settlements *inter vivos* should be allowed to be heard on any application to the Court to vary the trusts.

The Bill does not apply to Scotland or Northern Ireland, though it appears that the Government of Northern Ireland may bring in similar legislation.

Government Accounting

IN 1950 THE Crick Committee reported in favour of the continuance of the cash system of government accounting in Britain and against the adoption of commercial accountancy practice. There were many accountants who did not agree with the report.

The question of the form in which government should conduct its accounting has now arisen in Ireland, on a submission to the Minister of Finance by the Association of Chambers of Commerce of Ireland. The Association argues that the greater volume and complexity of government finance is showing up the inadequacies of cash accounting. Until the cash has been actually received or paid, no account is taken of commitments incurred, no provisions are made for accruals, no adjustments are made for opening and closing stock, no provision is allowed for the depreciation of fixed assets and no charge is raised for interest on capital employed. All in all, the true position for the financial year is not revealed.

Another disquietening feature of the present system of government accounting, continues the Association, is that there is no true segregation of current and capital items. The division into the "above-the-line" and the "below-the-line" sections of the account does not make a correct distinction. Many expenditure items, which should be charged against income, are in fact put below the line and thus regarded as capital expendi-

ture although no tangible asset has been created; the "liabilities" do not include many current commitments of the State—conspicuous omissions are indebtedness for pension rights and current liabilities on State guarantees.

The Association affirms that a system based on commercial accountancy would avoid the present anomalies and give a better picture of the Exchequer finances. Accounting on accruals would enable the yields of different taxes and the expenditures of different Departments to be more accurately compared. All the assets and the liabilities of the State could also be shown on a balance sheet similar to that drawn up by a commercial undertaking.

The Association has presented a pretty convincing case, which might well, however, have been supplemented by arguments for cost accounting by the Departments.

Local Treasurers

MOST LOCAL AUTHORITIES control their financial operations by a local code of regulations, but there is no obligation to draw one up. The regulations vary greatly in form and subject matter. Some do no more than recite the bare essentials on such matters as the procedure for annual estimates, tenders and contracts. At the other extreme, some codes lay down detailed instructions to committees and officers on the approval of accounts, the control of income, insurances, stores control and many such questions.

Clause 54 of the Local Government Bill (now passed by the Commons) might result in more uniformity. By the clause, each local authority must "make safe and efficient arrangements for the receipt of moneys paid to them and the issue of moneys payable by them, and those arrangements shall be carried out under the supervision of the treasurer." The provision replaces the Sections of the Act of 1933 which provided that all payments to and out of the county fund (or general rate fund) should be made to and by the treasurer and that no costs, debt or liability exceeding £50 should be incurred by a county

council except upon a resolution of the council passed on an estimate submitted by the finance committee.

Some doubt has been expressed about whether the new Clause is an improvement. Certainly, it gives more latitude to local councils, and some of them might too rigidly control minor financial transactions, so that the treasurer would lose some of his professional independence. On the other hand, in framing the arrangements, most councils will be guided by the treasurer and the opportunity might well be taken to strengthen his powers of financial control and audit. There are many instances in which his jurisdiction in financial and accounting matters in departments under the control of other chief officers is at present severely restricted.

One effect of the new clause in the Bill is to place urban and rural district councils on the same footing as other councils: there are now no statutory provisions for payments to and out of the general rate fund to be made to and by the treasurers of such councils.

The legal position of the treasurer would not appear to be affected by the clause, except that there would be no statutory direction for him to receive and pay moneys. The arrangements laid down by his council would no doubt provide for all cash transactions to be made by him or under his control. He would still be a "trustee" for the ratepayers, and he could not plead the orders of the council in defence of an illegal payment.

No doubt the Ministry of Housing and Local Government will issue a circular on the subject for the guidance of local authorities; perhaps it will also prepare a model set of financial regulations.

Commissions for Accountants in Emergency Reserve and Territorials

MEMBERS OF the Institute of Chartered Accountants in England and Wales, and of the other recognised accountancy bodies, can obtain commissions in the Royal Army Pay Corps (Army Emergency Reserve and Territorial Army). Secretaries and others with



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The age limit for commissions is normally forty-five and rates of pay and allowances received during training are the same as those received by serving officers. A cash grant is made to men who have not previously held a commission and to those previously with a commission who have had a break in service of more than four years. In addition, an annual upkeep allowance is made.

Further particulars can be obtained from the Under-Secretary of State, War Office (F9A), Landsdowne House, Berkeley Square, London, W.1.

Many Small H.P. Concerns

THE MAIN CONCLUSION to be drawn from a survey of hire purchase concerns recently made by the Board of Trade is that there has been a proliferation of small businesses in this line—partly because the big

ones are officially cut off from any significant supply of new funds. The survey showed that at the end of 1956, transactions on hire purchase and credit instalment terms were being financed by 1,227 concerns, comprised not only of specialist finance houses but also of manufacturers and wholesalers financing their own goods. More than half of the concerns, however, had less than £10,000 of instalment debt outstanding; nearly 40 per cent. of them had less than £5,000. The eight largest finance houses did more than half the business.

The total of instalment debt has risen greatly since the date of the survey: it is now in the region of £500 million.

In Defence of Advertising

ON ITS ADVERTISING in more than one hundred countries *Unilever Ltd.* last year spent the stupendous total of £83 million, almost as much as the trading profit of the group. In his address at the annual general meeting, Lord Heyworth, the chairman, who traditionally expatiates on a single topic of public importance, gave a reasoned and spirited case for advertising in the modern economy, backed by figures from the experience of Unilever.

It was a formidable case that Lord Heyworth put forward. Advertising

was the only and the essential channel of communication to the consumer, showing him the alternatives before him and facilitating his free choice. Its persuasive power impelled economic progress, by showing that the old products were not always the best ones. It aided economic stability, by enabling predictions to be made about the scope for new products and by helping to reanimate activity if the economy was slackening. In a sense, it was certainly true that the consumer paid for advertising, but to conclude that to cut it out would cheapen the goods was a fallacy. The cost of advertising brought savings in its wake—on the distribution side by speeding up the turnover of stock and on the production side by enlarging output.

Some people, Lord Heyworth continued, thought that there was something bogus about promotion schemes by coupons, bargain packs and the like. They thought the money would be better applied in making a permanent reduction in price. They missed the point that if the scheme were to succeed in its first object, which was to induce people to sample the product, they had to be given the opportunity to obtain it at a genuine bargain price, so that the offer could not be other than temporary. Since products were continually changing and improving, people must continually be persuaded to give the goods a trial. "A permanent price reduction is not the alternative to promotions. We have tried it and it did not work. The amount of money which is saved by dropping the promotion is too small to make any significant impact if it is applied to reducing the price."

A formidable case, indeed. But while Lord Heyworth conclusively showed that the individual concern could gain by large-scale advertising, judiciously contrived, he did not really answer the objection that while some of the advertising by makers of similar goods—for example, of detergents—results in an enlargement of the total market, much of it causes only a switch of sales from one maker to another. Again, Lord Heyworth admitted that anything, like advertising, that "jerks us out of our

SIZE OF HIRE PURCHASE CONCERNS

Amount of debt	Number of returns	Debt (£'000)
Under £5,000	468	967
£5,000 and under £10,000	198	1,440
£10,000 and under £15,000	87	1,056
£15,000 and under £20,000	62	1,080
£20,000 and under £25,000	61	1,378
£25,000 and under £50,000	127	4,411
£50,000 and under £100,000	89	6,254
£100,000 and under £250,000	69	10,685
£250,000 and under £500,000	25	8,782
£500,000 and under £1 million	17	10,794
£1 million and under £5 million	16	37,651
£5 million and over	8	87,929
Total	1,227	172,427

Source: Board of Trade Journal, April 11, 1958

existing habits is apt to be regarded as an irritant," but one wonders whether the advertising specialists really know how irritated the ordinary consumer can sometimes get. At the recent conference of the Advertising Association a brave intruder protested on behalf of all the Women's Institutes against coupons and free gifts. Her five girls, who were not marbles players, received five dozen marbles a week, the bounty of a cereal company. Though the cereal might in fact be cheaper by only a fraction of a farthing if there were no present of marbles, the point is that ordinary mothers of non-marble playing daughters do not appreciate such costing niceties. He spoke for many ordinary people, that wag who recently wrote that he feared the ferocious salesmanship that one day would lead him to buy a packet containing scores of tin toys and apostle spoons, with a big legend on the box "Given free with this pack, a monster wheatflake."

The Irish Budget

IN HIS BUDGET speech to the Dail, Dr. Ryan, the Minister for Finance, did not propose any substantial changes in taxation. Some relief would be granted to cinemas by partial remission of entertainment tax. With the object of encouraging exports, the tax exemption on profits from new or increased exports would be extended to ten years from five years (see ACCOUNTANCY, May, 1957, page 228). Provisions would be introduced to enable a self-employed person or non-pensionable employee to obtain certain tax relief on payments made for a pension for himself or his widow or dependants. Among minor changes proposed were certain measures against tax avoidance, and administrative reforms.

Dr. Ryan stated that the deficit on current account in the last financial year was £5.9 million. There was an estimated deficit of £3.2 million for 1958/59; the Minister proposed to close this gap as to just over a half by applying the proceeds of the special import levies to general revenue account and as to the remainder by making savings in ex-

penditure compared with estimates.

For the first time since 1946 there was a surplus on the balance of payments, the result, mainly, of restrictions on imports and expanded exports of cattle and other agricultural products.

Musical Office Chairs

THE *News Chronicle* recently published a series of articles under the title "Do Office Workers Work?" spotlighting one of the most worrying problems of the day—how to recruit young people, how to train them when recruited, and—here is the crux—how to keep them working happily at their desks when recruited and trained.

Though office work cannot be taken as particularly popular, at least among boys, something like a fifth of the half-million or so school-leavers enter offices annually. The intake, therefore, seems to be adequate. It is perhaps the migratory habits of modern youth which are most troubling, and most productive of disorganisation and inefficiency. Book-keepers, shorthand-typists, and clerks come and go: an office job may fall vacant three or four times a year.

According to the *News Chronicle* reporters, some of the girls engaged on secretarial work, at salaries up to £600 a year, left because of sheer boredom—having, perhaps, only one letter a day to type! A recent survey by the *Industrial Welfare Society* showed that not having enough to do was a far more frequent cause of complaint among young people than having too much to do. Irritation at the bad planning of work—idleness during the day and a rush of dictation at 4.0 p.m., for example—was another prominent complaint. Indeed, shortcomings on the part of the management are probably one of the most potent causes of high turnover of staff.

There is no single remedy for the modern malaise of "drifting." Some harassed executives feel that the answer lies in less full employment. Others place their faith in greater mechanisation in the office—more computers to deal with accounts and

statistics, more tape-recorders and dictaphones to clear the correspondence bottlenecks. Yet, perversely, the increasing use of machines seems, in itself, to have an unsettling effect. The teenage punched-card operators, the girls in the typing pool unable to use their shorthand (and deprived of masculine company), soon become frustrated and bored.

As we have argued before—see ACCOUNTANCY for September 1957, page 379—one important contribution would be to establish a range of clerical specialisms, so that the young entrant into office work would have before him the opportunity of becoming a skilled worker rather than a mere handyman.

An issue related to the introduction of office specialisms is the establishment of better human relations—keeping office workers "in the picture" and restoring something which has slipped badly of late, their status.

Another suggestion emerging from the investigation of the newspaper was that young people embarking on commercial careers should be granted time off to pursue study courses—in the same way, and on the same scale, as engineering apprentices. In the distributive trades, for example, only four per cent. of young people under eighteen are now released for any day-time study; in insurance, banking and finance, the figure is one per cent. One might add that qualifications, when obtained, should be more generously recognised and rewarded than they now are.

The Oddest Inflation

DUTCHMEN ENJOY A well-merited reputation for level-headedness. No one would accuse the citizens of the Netherlands of irresponsibility. It is, therefore, hardly credible that they were once involved—admittedly more than three centuries ago—in an extraordinary financial "racket" in a flower which during recent weeks has brought colour and stately beauty to the garden of many an Englishman.

A great family of merchant-princes—the Fuggers of Augsburg—

are credited with introducing the tulip into Europe, from the Levant, in the sixteenth century. (The name is a variant of the Turkish *tulbant*, or turban.) By the early seventeenth century it was firmly established in the Netherlands, and had become one of the symbols of bourgeois prosperity. At first only the wealthier sections of the community had been able to afford to plant tulips in their gardens, but later the fashion set by the rich merchants and aristocrats was imitated by more ordinary people.

Soon the demand for tulips had so far outstripped supply that bulb prices rose sharply. Eventually they reached fantastic levels, and in 1634 as much as 2,500 florins, enough to set a man up in business, was paid for a single bulb! When the jobbers and speculators moved into action even that absurd figure was sometimes much exceeded. Sellers named their bulbs after famous Dutch admirals—such as Van der Eyck—and employed every artifice to keep the mania at fever pitch. Tulip bulbs, in the last hectic phases, were actually quoted daily on the Amsterdam stock exchange, and vendors weighed them, like gold-dust, by the grain.

The inflation, which dislocated the entire economy, continued into 1635 and then suddenly the bubble was pricked. Prices began to fall, slowly at first, but with gathering momentum as the gamblers unloaded their stocks and public confidence evaporated. Thousands of Dutchmen who had staked everything on tulips were reduced to beggary. Many had their roofs sold over their heads. Seldom had Holland experienced such a disaster, even when its land had been flooded by the sea. The Government held a few debates and declared itself unable to do anything. The craze, though it dragged the national finances down to catastrophe, was allowed to run its full course. Not until many years later did Dutch trade and commerce begin to recover from this remarkable manifestation of folly.

Only the tulips themselves emerged proudly erect, though with a more realistic value placed upon their heads!

Shorter Notes

Incorporated Accountants' Benevolent Fund—Annual Meeting

As announced in our last issue (page 168), despite integration the Incorporated Accountants' Benevolent Fund retains at least for the time being its separate identity. The annual meeting of subscribers and donors to the Fund is to be held at 3.0 p.m. on June 30, at Incorporated Accountants' Hall.

The Accountant Annual Awards

The winners of the awards presented by *The Accountant* for excellence in published reports and accounts are this year *Peninsular and Oriental Steam Navigation Co. Ltd.*, among the larger companies, and *John Dale Ltd.*, among the smaller.

New Consolidating Bill

The Prevention of Fraud (Investments) Bill, which has been introduced into the House of Lords, consolidates the Prevention of Fraud (Investments) Act of 1939, Section 117 of the Companies Act, 1947, and various related parts of the Companies Act, 1948.

Chairman Designate of B.I.M.

The Earl of Verulam has been elected chairman designate of the British Institute of Management. He will succeed Mr. Harold Wilmot, C.B.E., on July 23.

New Index of Business Turnover

A useful addition to current statistics is a new index of business turnover published by the Midland Bank. The figures used are the total drawings on current accounts with the bank, and may therefore be taken to represent business turnover, whether by cash paid out over the counters or by cheques and other transfers to bank accounts, in the ordinary course of trade and industry. A continuous rise is shown from 69 (1950 = 100) for the year 1946 to 152 for 1957 and 161 for the first quarter of 1958.

Extension of E.C.G.D. Guarantees to Banks

Attached to the insurance cover of the Export Credits Guarantee Department are unconditional guarantees given to banks by the Department that if payment under a contract for the sale of capital goods is more than a certain

period (normally three months) overdue following acceptance of the goods, the Department will make good a large part of the payment. Until now, the guarantee has been for 85 per cent. of the payment, but it is in future increased to 90 per cent. Again, there has been until now a lower limit of £250,000 for capital goods qualifying for the guarantee; this limit is reduced to £100,000, provided that the credit period is more than three years.

Finance to Relieve Unemployment

The existence of localised pockets of severe unemployment has caused the Government to propose an extension of its powers under the Distribution of Industry Act, 1945, which enabled it to make grants or loans in the Development Areas. A new Bill, the Distribution of Industry (Industrial Finance) Bill, would enable grants or loans to be made to any trade or business in any part of the country if the Board of Trade considered a high rate of localised unemployment would in consequence be reduced. Further, the credit squeeze and the requirements of the Capital Issues Committee are relaxed for such areas.

New President of Certified Accountants

Mr. William Jackson, F.A.C.C.A., is the new President of the Association of Certified and Corporate Accountants, in succession to Mr. A. C. S. Meynell, F.A.C.C.A. Mr. Jackson is senior partner in William Jackson and Co., Certified Accountants, of Glasgow, and a director of a number of companies on Clydeside. The new Vice-President is Mr. J. E. Harris, B.COM., F.A.C.C.A., a partner in R. P. Opass, Billings and Harris, Certified Accountants, of London and Belvedere, Kent, and managing director of an international machine tool group.

The Case of the Colour-blind Cashier

A cashier accused of embezzling money from the Iraq Development Board put forward the defence, according to *The Iraq Times*, that he became colour-blind and unable to distinguish between the colours of a one dinar note and those of a ten dinar note. "I then noticed a shortage in the cash which steadily accumulated. I was alarmed but afraid to tell my superiors. Several times officials who came to my office used to see bundles of dinars on the floor which I used to throw away; I thought they were ordinary paper, because I could not distinguish the colours."

EDITORIAL

Unheroic but Workmanlike

IT was, to use the Chancellor's own epithet, an unheroic Budget. It would, indeed, be difficult to evoke any drama out of the remission of only £50 million of tax. Once the decision was made that April, 1958, was too soon to bring in expansionist measures, an unexciting Budget was bound to follow. To judge from post-Budget speeches of the Prime Minister, economic policy may become cautiously expansionist before many months have passed. However, it is pretty clear that any such change will take a financial and monetary form, not a fiscal one. A lowering of Bank Rate, a slackening of the credit squeeze, an enjoining upon the Capital Issues Committee of something more like benevolence, these are the stimuli that are likely to be first invoked.

But while there was little enough fiscal easement, in the sense of revenue foregone, in Mr. Heathcoat Amory's first Budget, it was a Budget which made quite remarkable advances in fiscal easement in the sense of rationalising the tax structure. In two main directions. First, the purchase tax was at one step made into a more equitable, more reasonable and simpler impost, by the cutting down of the seven rates of tax to four. Second, the profits tax was similarly made more equitable, more reasonable and simpler, by the cutting down of the two rates of tax to one.

The change in the purchase tax is, one would think, to be taken as a first instalment of a re-casting of the tax by which, sooner rather than later, it would be charged at one rate, or perhaps two rates. To re-cast the tax in this way would be a successful takeover of many of the arguments of those who advocate a sales tax (which Mr. Amory decisively rejected). The re-casting would probably finally destroy any pretence that the purchase tax was only temporary. Purchase tax at a uniform rate or at dual rates, however, would be an altogether different tax from the purchase tax we have known.

The conversion of profits tax to a single rate, involving the scrapping of the differential tax on distributions, was a step long advocated. Taxing distributed profits at a higher rate than undistributed profits damaged the supply of risk capital and distorted the capital structure of companies. Again, the differential element in the tax was causing some concerns to plough back profits when the economic advantage lay in a percolation of the funds into other businesses by way of dividends to shareholders and the supply of savings by those shareholders to the capital market. Charging profits tax at a single rate will help to restore the market to its proper place as the provider of capital to concerns able to employ it economically and to pay the economic charge upon it, but unable to secure it internally. The main argument put forward for the

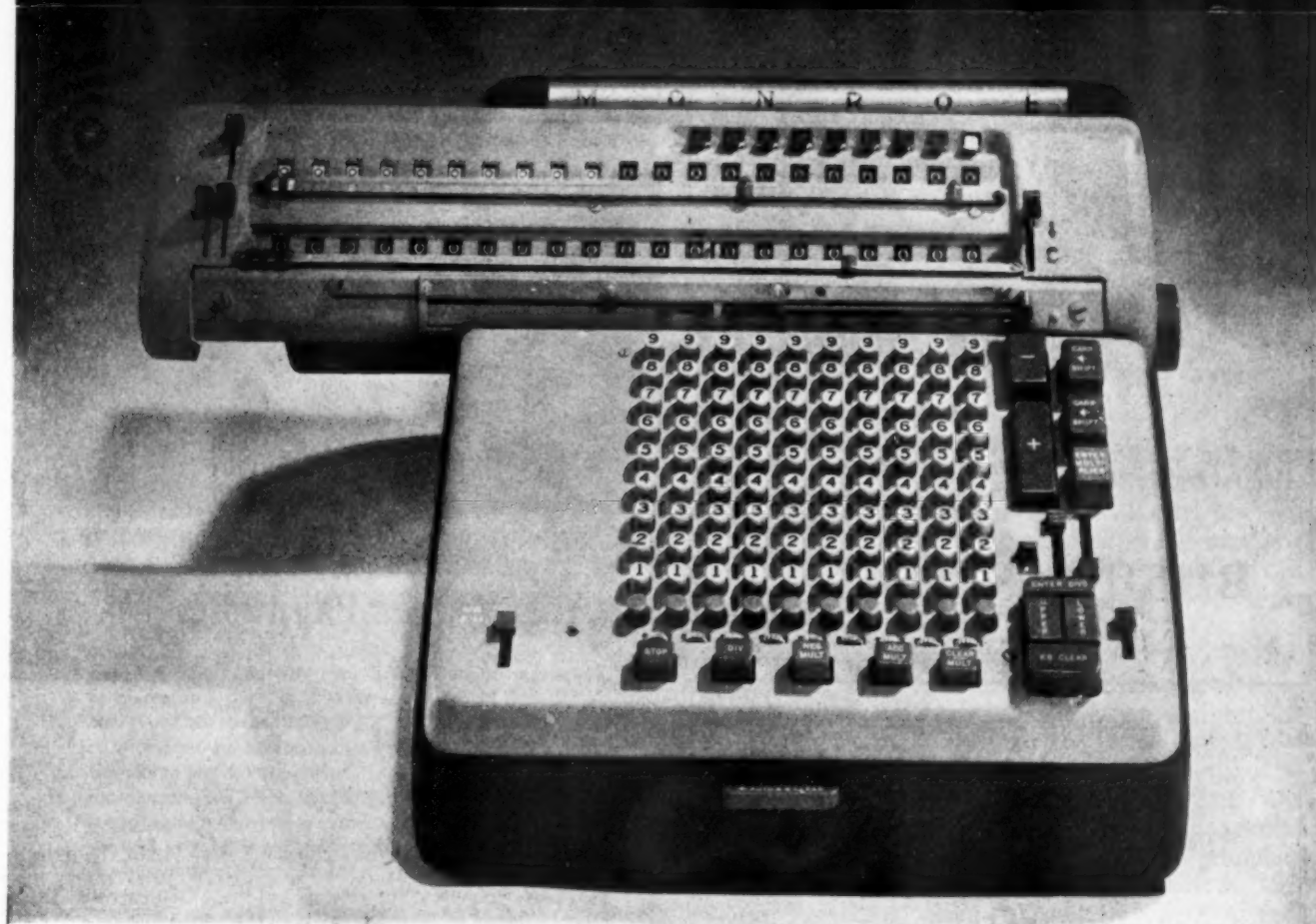
differential in the tax, that by increasing retained profits it caused total savings to be larger, was not proved—for a larger distribution to shareholders might well have encouraged personal savings by more than it discouraged corporate savings. Certainly, the buoyancy of personal savings in the last two or three years suggests that, if the fiscal penalty on distributions was to be lifted, the present was a safe time at which to lift it.

The removal of the possible liability for withdrawal of non-distribution relief on past profits—a possible liability which in some instances had reached enormous figures—takes away a threat that was both intimidating and unwarranted.

The re-fashioning of purchase tax and profits tax was the main way in which the Chancellor moved towards rationalising the tax structure in his Budget. But there were significant minor ways, too. The lengthening of many of the time limits under the taxing Acts is important, as accountants will testify, even if it is unobtrusive so far as the general public is concerned. The extension of the Schedule E expenses rule is a welcome improvement, even if the extension is rather limited (compare the submission made by the Institute, as reported on pages 240-41 of this issue of *ACCOUNTANCY*, with the provision in the Finance Bill).

There remains the new prohibition on "dividend stripping." We discuss the details on page 235 and shall no doubt have to return to them again in the future. With the general principle of blocking the activities of those who misuse the device there can be no disagreement, but if a trading company which could carry forward a loss accelerates the relief by buying—at an economic price—a company carrying a profit, is the action any more reprehensible than claiming an initial allowance to accelerate capital allowances on fixed assets? Mr. Amory decided, evidently after anxious pondering, to go back upon his original intention to make the new prohibition retroactive to 1955. His decision was apparently on the main ground that the warning, given in that year, that the ban on dividend stripping would be strengthened if the practice continued was not entirely precise and, in particular, might not be taken to apply to trading companies as distinct from finance companies. Other factors which seem to be relevant are that the warning was given by a junior Minister and in no emphatic or publicised form and that it was given three years ago without repetition since. In general, retroactive legislation, whether in taxation or not, is to be deplored, and can certainly be justified by nothing less than a completely explicit and authoritative warning, followed very soon afterwards by the legislation itself.

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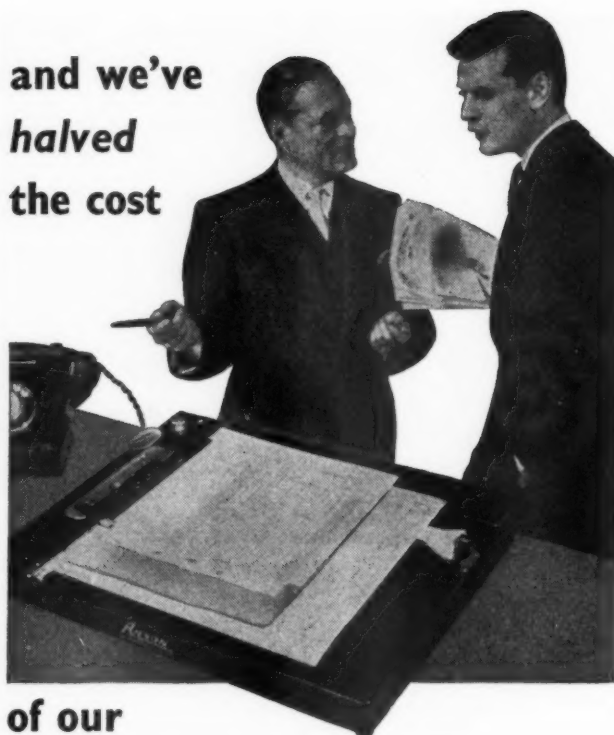
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The presidential address of Mr. W. H. Lawson, C.B.E., F.C.A., at the seventy-seventh annual meeting of the Institute of Chartered Accountants in England and Wales on Wednesday, May 7, 1958.

The President's Address

THE YEAR 1957 was a period of exceptional activity in our domestic affairs and the annual report of the Council, which records the more important events, is considerably longer than usual. It should not be taken as detracting from the importance of all these matters if, in the main, I leave the report to speak for itself.

Integration

The outstanding event of the year was the implementation of the scheme of integration of the Society of Incorporated Accountants with the Institute. That has gone very well. It has been impressive and heartening to find that once the scheme was approved, all concerned, including some who had opposed it for one reason or another, have co-operated to make it a success. As a result, the formidable task of absorbing members of the Society into our membership and of bringing them into the life and activities of the Institute has proceeded smoothly and, I think, quickly, having regard to the complexity and magnitude of the operation.

It was inevitable, in a scheme of this size and complexity, providing for more than one class of membership, that difficulties and even apparent hardship should arise in a few individual cases. The Council has done everything possible, within the limits of the scheme, to consider such cases sympathetically.

It is much too early to judge the full effect of the scheme but it is already apparent that it is bringing about a sense of unity in the profession which did not previously exist.

Our enlarged Institute, with the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland has, as you know, set up a Joint Standing Committee to co-ordinate policy on matters arising in connection with the scheme of integration and to consider any matter of common interest which may be referred to it by any of the Institutes. We value highly this opportunity for regular consultation with our friends in Scotland and Ireland and it is believed that this arrangement will go far towards meeting criticisms which were previously heard that it was difficult to obtain the views of the accountancy profession as a whole.

I said at the special general meeting on February 19, 1957, that, if the scheme of integration were carried into effect, the Council would apply itself seriously and objectively to the possibility of further rationalisation of the profession. We realise our responsibility in this

matter but it would be idle to expect that further steps will follow quickly. We have achieved much of what was needed in the way of rationalisation and time is now required to see how the new structure operates before deciding what further steps, if any, may be possible in the interests of the profession as a whole.

Recruitment

The subject of recruitment to the profession has lately been very much in the thoughts of the Council. Greater efforts are required than heretofore to attract into our offices sufficient of the right types of young men and women from the schools and universities. We should aim at increasing substantially the proportion of university graduates in our membership and a special effort is therefore required to strengthen our contacts with the Appointments Officers of the universities and with others who can help us to attract suitable graduates. This matter is under consideration by the Council at the present time.

The bulk of our entrants must, however, continue to come from the schools and in the autumn of 1957 the Council issued to all public schools and grammar schools and to our own members an introductory pamphlet entitled *Why not become a Chartered Accountant?* This has been widely welcomed. It has been suggested that encouragement should be given to prospective entrants to our profession to remain at school for a full course of study in the Sixth Form and obtain passes at advanced level in the General Certificate of Education examination. It is undoubtedly a great advantage, for those who wish to make their careers as chartered accountants, to extend their general education as much as possible and we are considering whether it is possible to give encouragement to this end.

Training for the Profession

Having emphasised the importance we attach to a high standard of general education before entering into articles, I now wish to emphasise the importance of a high standard of practical training during service under articles. When he enters into articles an articled clerk embarks upon a serious course of practical training. Accountancy is essentially a practical profession, and although the articled clerk has necessarily to acquire a considerable amount of book knowledge his vital task is to obtain thorough practical training and experience which only the practising chartered accountant's office can provide.

This is the object of our system of articulated service in the office of a practising member. We still regard it as being the right way of equipping oneself to be a chartered accountant and to carry the responsibilities which that description implies.

Mr. W. E. Parker gave an admirable and thought-provoking paper on *Training for the Profession* at our Oxford summer course last year and we should all be grateful to him. He was, of course, expressing his personal views, but I was glad to see that after a careful review of somewhat academic leanings in certain other countries Mr. Parker's desire is clearly to strengthen and not to veer away from our own long-established system of training in the practitioner's office.

Vacancies for Articled Clerks

I have already referred to the booklet called *Why not become a Chartered Accountant?* In this and in our syllabus booklet we invite prospective articulated clerks to seek advice from the Institute if they wish to be introduced to practising members. Any such inquiry from outside London is normally referred to the honorary secretary of the appropriate district society, and I would like to pay tribute to the co-operation which the district societies and branches have shown. In London the inquirer is interviewed at the Institute's offices before any introduction is given to a member.

No precise information is available as to the total number of clerks who have been placed under articles through Institute introductions, but in London over 200 were so placed during 1957. I think this is a very satisfactory achievement and I understand that the year 1958 is likely to show even better results. We feel this is a service which we should provide for members and one which can do much to avoid the loss to the profession of suitable candidates for articles. We would welcome more inquiries from members even though we may not at present be able to meet their requirements in full.

Technical Matters

In August, 1957, the Council issued to members a booklet with the somewhat cumbersome title *Unlawful Acts or Defaults by Clients of Members*. This is one of the most important documents which the Council has ever issued and it is probably unnecessary for me to say that it was not the easiest of documents to compile. The booklet appears to have been well received and it has aroused interest in overseas countries, including the United States. It relates to rather painful circumstances which happily are not part of our regular daily experience. When they do arise, however, we are presented with the problem of considering what is our proper course of professional conduct and the extent, if any, to which our conduct must be governed by any legal obligation resting upon us.

This is not the first occasion on which the Council has ventured into an area hitherto largely unexplored. This time the result has been the issue of a document which I feel sure is of great value to members both as individuals and because it demonstrates clearly to the public that while we insist upon acting with the highest integrity we

are nevertheless not prepared to breach our duty of professional confidence unless we are obliged to do so by law.

In October, 1957, the Council issued a new recommendation on accounting principles, entitled *Events occurring after the Balance Sheet Date*. A number of further recommendations and other documents, on which progress has been delayed because of preoccupation with the integration scheme, will, it is hoped, be released within the next few months. These include matters of importance in the field of management accounting, and we hope that what we have to say in these documents will be studied by practising members no less than by members in industry and commerce. There is a real need for practising members to extend their influence in this direction and so add to the valuable services they already provide for their clients.

It is not usual for the Council to announce "forthcoming attractions" in the technical field, but I think I can make a further exception in general terms by stating that we have recently decided to see whether a series of statements on auditing can be prepared by way of parallel to the recommendations on accounting principles. This possibility is now to be considered in conjunction with the Taxation and Research Committee. It will need to be examined very carefully and the preparation of such documents must inevitably take a considerable time. I hope, however, that it will prove possible to render assistance to members in this direction.

Members' Handbook

The many important documents issued to members in recent years have been printed in a variety of forms and some have been affected by later additions and amendments. Members have therefore had some difficulty in filing these papers in a readily available form and in keeping them up to date.

As stated in the annual report, we have now decided to issue all new documents and reprints of old documents in loose-leaf form and to supply members with a specially made binder in which they can be maintained as a permanent and comprehensive handbook. This will satisfy a need which has long been felt. The cost is substantial and it would have been tempting, on purely financial grounds, to defer this work but, for compelling reasons which have been explained in the report, the work is proceeding now.

Retirement Benefits Schemes

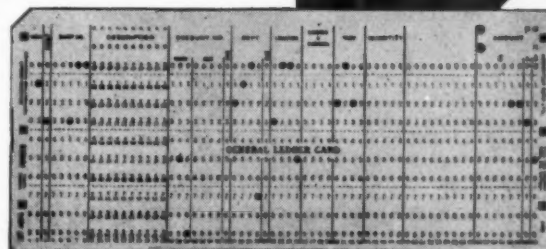
I will not repeat the information already given in the annual report and in the explanatory booklets about the two schemes known as CARBS and CAESS, which were established during 1957. They represent a substantial achievement which has perhaps been rather overshadowed by the attention and publicity given to the scheme of integration. Both the retirement schemes are of great importance; they have been well received and are progressing satisfactorily, even though the credit squeeze and high rates of interest have not helped.

The "self-employed" scheme, known as CARBS, is probably the most comprehensive type of scheme which

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has so far been devised. The employees' scheme, known as CAESS, has evoked a lively response, particularly from the smaller firms. Within the general framework of this scheme it is open to each firm to adopt such special features as it may wish on matters of detail.

Appointments Register

One of the services provided by the Institute is the appointments register. It is an introductory service to enable employers who have vacancies to be placed in touch with members who may be seeking employment of the kind offered. As there may be some misunderstanding of the position I would like to emphasise that the appointments register is not limited to members who have difficulty in finding employment. A satisfying number of high-level appointments is filled each year through the register and I hope that in future the register will be even more widely used by industrial and commercial employers wishing to fill important appointments and by more members who are interested in taking them.

Accountancy

We have taken over from the Society of Incorporated Accountants its monthly journal *ACCOUNTANCY*. Thus the Institute now owns and publishes its own journal. It has been developed on sound lines by the Society and is an excellent paper. It will be further strengthened by access to information from the Institute. I hope it will receive from our members and students the support it deserves.

Cheques Act, 1957

Considerable misconceptions have arisen in connection with the Cheques Act, 1957. The main purpose of the Act was, of course, to render unnecessary the time-consuming task of endorsing cheques. As a by-product it has caused widespread discontinuance, as regards payments made by cheque, of the custom of giving individual receipts.

In recent years some businesses had already ceased to give individual receipts for payments made by cheque and the paid cheques were regarded by their drawers as evidence of payment. This procedure was extending before the passing of the Cheques Act because of the savings in cost which could be effected. These savings are not confined to the twopenny receipt stamp. More important savings are in postage, stationery and clerical labour.

The Cheques Act did no more than enhance the status of a paid cheque as evidence of payment, and most people will have been surprised at the speed with which, after the passing of the Act, those who had previously given individual receipts have abandoned their former practice. This is not a criticism of the Act, though it would perhaps have been helpful if more time had been given for consultation between the passing of the Act and the date of its coming into operation.

The Council issued a statement to members on October 5, 1957, and this is reproduced in the annual report. Since then we have, through our Taxation and

Research Committee, made inquiries as to the experiences of businesses in operating under the new conditions. On the whole the evidence is reassuring. It was inevitable that some difficulties should be experienced in individual cases, but these will undoubtedly be overcome in time. There is no reason why the procedures which some businesses have adopted quite effectively in recent years should not be extended satisfactorily to a large part of the whole field of industry and commerce.

Some changes in office organisation and procedures are required, but these can readily be made with the assistance of the auditors. There is more difficulty in persuading members of the public to adopt the new system. It is natural that those who have been in the habit of filing their receipts as part of their domestic accountancy system should be reluctant to change their methods. However, no great difficulty should arise if shops and other suppliers to the public make suitable arrangements, for example by means of tear-off remittance slips, so as to enable the customer to retain the original bill or a detailed statement.

Individual receipts will still be required for a limited number of purposes and it remains the law that if the amount is £2 or over receipts must be given when demanded and, with few exceptions, must unfortunately be stamped with a twopenny stamp. It is hoped, however, that receipts will not be demanded unless they are really necessary.

I must of course emphasise, as the Council did in its statement last October, that while a paid unendorsed cheque affords evidence of the receipt by the payee of the sum stated on the cheque it does not provide evidence of the consideration for which the payment was made. Records must, therefore, be so maintained as to provide a direct link between a paid cheque and the details of the transaction to which it relates and it is, of course, necessary for the drawer to obtain the paid cheques from his bank. As auditors we shall as hitherto require whatever supporting vouchers we consider necessary in respect of payments made.

Budget

In February last year the Council submitted to the Chancellor of the Exchequer a memorandum giving its views on the order of priority for the implementation of the recommendations of the Royal Commission on Taxation of Profits and Income. The recommendations which the Council classed as having the "highest priority" included three matters which are now dealt with in the new Finance Bill and to which I will refer briefly.

The proposal to revise the profits tax to a flat rate basis and to cancel the potential liability in respect of outstanding non-distribution relief represents an important contribution to the simplification of the tax affairs of businesses. The need for reform of this tax was stressed in the Council's evidence to the Royal Commission on Taxation of Profits and Income.

Another welcome reform is the proposed extension of many time-limits imposed under the Income Tax Acts.

One other Budget matter which is of special interest to

members is the proposal to allow deductions for subscriptions to professional bodies in computing liability under Schedule E. This reform of the Schedule E expenses rule is not so extensive as that proposed by the Council but it will be a valuable relief to members of professional bodies, including our non-practising members.

I have not, of course, had time to examine in detail the contents of the Finance Bill and it may well be that we shall find some points on which we need to ask the Chancellor to consider making amendments. We cannot however do other than welcome the broad principles underlying the three reforms to which I have just referred.

Finance

The accounts for the year ended December 31, 1957, showed an excess of expenditure over income of £19,047 and I am sorry to say that the time has come when subscription rates, which were last advanced from January 1, 1950, must be substantially increased. I will deal fully with the subject at the special meeting which is to be held immediately following this meeting.

Appreciation

In conclusion, I should like to express my most sincere thanks to many who have rendered great service to the Institute in this strenuous and difficult year—to the Vice-President and my other colleagues on the Council from whom I have received unfailing help and support; the Presidents, Secretaries and Committee members of District Societies and Student Societies; and the members of the Taxation and Research Committee.

Finally, I should like to thank our Secretary, Mr. MacIver, the Assistant Secretaries and the staff of the Institute for the cheerful way in which they have shouldered the immense extra burden placed upon them as a result of the integration scheme. We welcome also into our staff the former members of the staff of the Society and we are grateful to them for the way in which they have settled in and are pulling their weight as part of our team at Moorgate Place.

I now propose and ask the Vice-President to second the adoption of the report of the Council and the accounts for the year ended December 31, 1957.

The statutes give an answer different from that given by ordinary accounting practice to the question whether allocations to reserves should be made by the nationalised fuel industries as charges against profits or as appropriations of them. And should the industries help finance their expansion and development out of reserves? The two questions are bound up together and their joint implications are here discussed.

Reserves in Nationalised Fuel Industries

By Idris Hicks, B.Com., A.C.A.

Reserves in Nationalised Industries

A PERUSAL OF the originating statutes under which the nationalised fuel industries—electricity, gas, and coal—were set up is sufficient to indicate that the requirement is the covering of costs rather than the earning of profit. Thus Section 1 (4) (c) of the Coal Industry Nationalisation Act, 1946, stipulates:

the policy of the Board shall be directed to securing that the revenues of the Board shall not be less than sufficient for meeting all their outgoings properly chargeable to revenue account . . . on an average of good and bad years.

and Section 41 (1) of the Gas Act, 1948, requires that:

it shall be the duty of each Area Board so to exercise and perform their functions under this Act as to secure that the revenues of the Board are not less than sufficient to meet the outgoings properly chargeable to revenue account taking one year with another . . .

There is a similar provision in Section 36 of the Electricity Act, 1947. Put briefly it may be said that the statutes require

that the industries should at least break even over a number of years. Given this requirement, it seems that the crux of the matter is the nature of the items that comprise (to use the words in the statutes) the "outgoings properly chargeable to revenue account."

Outgoings properly chargeable to revenue account

The originating statutes define what is meant by the phrase. For example, Section 45 of the Electricity Act, 1947, lays it down that:

the Central Authority and the Area Boards shall charge to revenue account in every year all charges which are proper to be made to revenue account, including in particular, proper allocations to the Central Reserve Fund (but not including in the case of an Area Board allocations to an Area reserve fund), proper provision for the redemption of capital and proper provision for the depreciation of assets or for the renewal of assets, and all payments . . . which fall to be made in that year to

any local authority under Part II of this Act in respect of any loan of that local authority. . . .

The operative words are "including in particular, proper allocations to the Central Reserve Fund." Again, Section 49 of the Gas Act, 1948, uses the words:

including in particular proper allocations to the Central Guarantee Fund and to any Reserve Fund kept by the Board or Council.

A comparable result is achieved by the wording of Sections 29 and 30 of the Coal Industry Nationalisation Act, 1946.

Free reserves in company finance

In the private sector of business the directors of a company are administering a going concern, and it is their duty to see that it continues "to go." They must look to the long-term balance and development of the company and the reserve policy that they pursue is crucial. The oil and steel companies are merely outstanding instances of the general practice by which prices are fixed at a level to feed the reserves in order to finance growth; that a large part of corporate finance for expansion must be "self-financed" out of profits is inherent in the modern economy. Prices are fixed—not universally, but in general—so as to cover revenue costs (including provision for the usage of capital equipment) and to leave a margin to enable reserves to be built up.

The accountancy procedure generally recognised as correct and proper is that allocations to reserves should be treated as appropriations of profits. Thus, number VI of the *Recommendations on Accounting Principles* of the Institute of Chartered Accountants in England and Wales states that a reserve consists of:

amounts set aside out of profits and other surpluses which are not designed to meet any liability, contingency, commitment or diminution in value of assets known to exist at the date of the balance sheet.

In the private sector this procedure is generally followed. There is no reason of accountancy why the same procedure should not hold for nationalised industry—indeed, there is every reason why the two sectors should follow a uniform practice in matters of this kind. And we do in fact find that the nationalised fuel industries conform to orthodox accountancy, in that "proper allocations" to reserves are made out of any surpluses that may be available. For example, in the electricity industry the Area Reserve Funds are created and built up out of any surplus available on the revenue account of each individual Area Board while the Central Reserve Fund is built up by appropriations from the consolidated net surplus.

Indeed, the nationalised Boards appear to obey the tenets of strict accountancy in defiance even of the statutes by which they were constituted. Not only the Area reserve funds but also the Central Reserve Fund of the electricity industry are built up by appropriation of available surplus, although in the Section of the Electricity Act already quoted it is explicitly provided that all such allocations to Central Reserve Fund are charges against profits. Again, in the gas industry, in whose structure the

Area Boards are the important elements, while the allocations to the Central Guarantee Fund are (as required by the Act) charged to revenue, the Area Board Reserve Funds are created by appropriation of available surpluses on the revenue accounts of the Area Boards, although Section 36 of the Gas Act provides that the charges on revenue account shall include "in particular proper allocations to the Central Guarantee Fund and to any reserve fund kept by the Board or Council."

Though the nationalised fuel industries do follow orthodox accountancy method, even when it does not conform to the nationalising Acts, a study of the terms of the Acts and of the operation of the industries leads one to conclude that the purpose of the reserves is much more restricted than that of reserves in the private sector. Section 43 (6) of the Electricity Act, 1947, stipulates that:

one of the purposes of the Central Reserve Fund and the Area Reserve Funds is the prevention of frequent fluctuations in the charges made by the Central Authority and the Area Boards.

The Gas Council is required by Section 46 of the Gas Act to maintain the Central Guarantee Fund as a fund to assist any Board temporarily unable to discharge its capital obligations (interest payments, redemption contributions, and so on) or to refund to the Treasury any payment made by them for the purpose of fulfilling any guarantee given by them.

The attached table shows how small are the reserves that have been built up by the three nationalised industries. We may quote from Lord Aldenham in his speech at the annual general meeting of the Westminster Bank in February, 1957:

Taken as a whole, the nationalised industries have no true profits to plough back into increased investment: in contrast to the industries in the private sector which have been ploughing back about two-thirds of their net earnings after tax into strengthening their own positions.

It is abundantly clear that the function of reserves is not regarded, as it is regarded in private industry, as supplying finance for development and expansion—instead, such finance is to be obtained entirely from new borrowings redeemable in the future out of the earnings of the future. Only because the reserves are so small and of such limited purpose is it possible for the Boards to follow orthodox accountancy by treating allocations to them as appropriations, while still conforming, as nearly as may be, to the requirement to break even over a period—for if large reserves were to be built up in these ways there would have to be large surpluses on revenue account. If the reserves were to build up, it would be impossible for the Boards both to keep to the break-even principle and also to obey accounting principle by treating allocations to reserves as appropriations: either the one principle or the other would have to be sacrificed.

If the emphasis were to be changed and the industries were to be required to contribute significantly out of earnings to new capital requirements of the future, then the wording "in particular, proper allocations to reserve" would assume crucial importance. For given the over-riding requirement to break even over a period, the

	(£ million)			
	Central Electricity Authority ¹	Gas Council ²	National Coal Board ³	Total
1. Capital Reserves				
a. Supplementary reserves for the depreciation of fixed assets	33.3	9.2	2.1 ³	44.6
b. Surpluses on stock purchased for cancellation	—	2.4	—	2.4
c. General capital reserves	—	3.2	—	3.2
	33.3	14.8	2.1	50.2
2. Revenue Reserves				
a. Taxation	6.2	2.6	—	8.8
b. Insurance fund	—	1.5	—	1.5
c. Central reserve fund ..	16.0	—	3.1	19.1
d. Area reserve funds ..	14.1	6.7	—	20.8
	36.3	10.8	3.1	50.2
3. Surplus/Deficit				
Consolidated revenue and net revenue account ..	12.7	4.6	Deficit 23.8	—6.5
4. Capital Liabilities	1,385.1	496.3	632.9	2,514.3

Source: Annual Reports and Accounts.

¹ At March 31, 1957.

² At December 31, 1956.

³ The Central Obsolescence Fund created and built up by a provision at the rate of 1d. per ton of saleable output.

reserves would have to come by way of charges against revenue (conformably with the Acts but contrary to strict accountancy). Then the allocations to reserves would have to be treated as costs to be covered and *would have to be included as costs when budgeting.*

Stating the proposition admittedly gives rise in turn to a further problem—what constitutes “a proper allocation to reserve”? Clearly, the phrase can be interpreted only in relation to (a) the attitude of the State to the degree of self-financing to be required of the Boards; (b) the capital needs of these Boards in the near and middle future and (c) the effect on prices if the changed policy of reserves is pursued. Each of the industries is involved in large-scale re-organisation and development programmes, involving heavy capital expenditure for years ahead and demanding forward planning of the financial requirements and the means of satisfying them. The costs constituting proper allocations to reserve would be pieces—central and highly significant pieces—in the whole financial plan. They would also be highly significant pieces determining the price structure of the industries; and underlying that structure is the controversial issue whether prices are being maintained too low (as some economists argue) or must continue to be kept down (to avoid further inflationary pressure). The power vested in the Minister under Section 47 (2) (b), of the Gas Act, 1948, and Section 43 (2) (b) of the Electricity Act, 1947, to give directions, which must be specific, as to the establishment and management of the Reserve Funds of the gas industry and the Central Reserve Fund of the electricity industry may be important in this connection.

National Insurance in Bulk

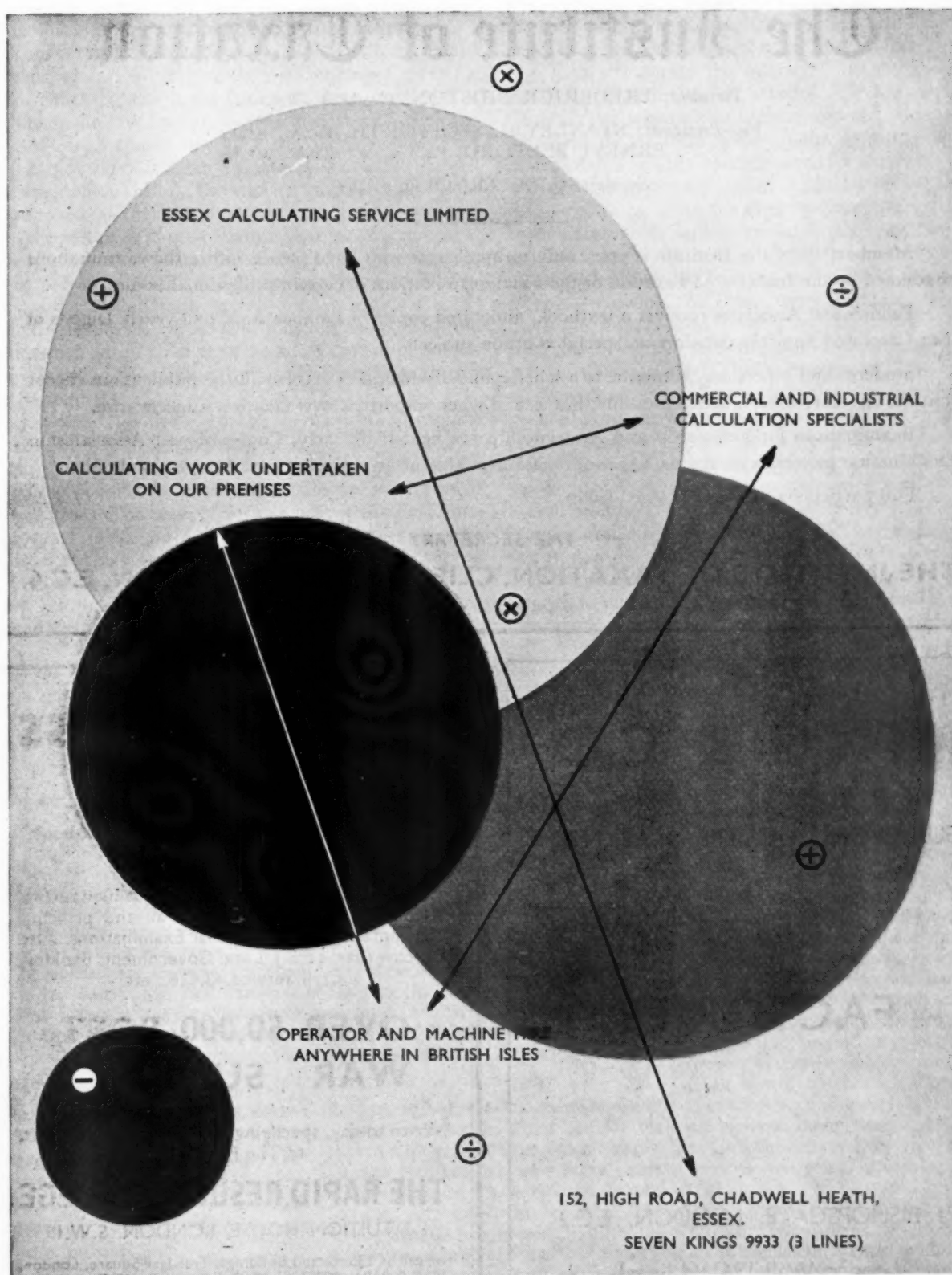
[CONTRIBUTED]

THOSE LITTLE BITS of gummed paper, National Insurance stamps, are a nuisance in any business. We are all careful about cash transactions. How many ensure that as much care is exercised in the handling of many pounds' worth of insurance stamps? The successive increases in the rates of National Insurance contributions highlight the need for taking precautions. And how much time, temper and money is wasted in the fiddling process of getting the stamps safely on to cards?

Without obtaining any additional equipment an employer of at least 250 workers can avoid the use of stamps, making direct payments for contributions to the Ministry of Pensions and National Insurance by cheque. Information about the scheme is given in leaflet NI 77 which will be supplied by any office of the Ministry. A permit must be obtained from the Ministry before the scheme is used; this document gives more information

about how the scheme operates. There are in fact two variants, the “schedule” method and the “invoice” method. The only difference between the two is in the way in which the information is presented to the Ministry at the end of each contribution year.

The “schedule” method, which is the one used by two-thirds of employers making direct payments, may be briefly described. The wages sheets are prepared in the usual way each week. From the sheets there is taken a summary showing the total number of contributions at each rate. From this summary, one calculates the money involved, and checks to ensure agreement with the total value of contributions on the wages sheets. Thus far the procedure is just what it would be if stamps were to be purchased. But all the labour and hazards of buying stamps, checking them, cancelling them and sticking them on the right cards are saved. Instead, a cheque for



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the total of the contributions is sent to the local office of the Ministry.

Whenever a contribution is not payable, the appropriate space on the card is marked with the letter "O". The card for each new employee is marked with the date of commencement in box S. When an employee leaves, a special label is fixed to the insurance card on the space for which the last contribution is due. A voucher card (CF.187) is prepared showing the name, number of contributions and the rate. These details are also entered on a schedule (CF.183). The voucher cards and schedules are supplied by the Ministry.

At the end of each contribution year the expired cards are extracted and the number and rate of contributions are recorded in box S. The name, number of contributions and rate can then be typed on schedule CF.183 from the insurance cards. The schedule is totalled and summarised to give the total value of contributions on expired cards and voucher cards for terminations during the quarter.

When the "invoice" method is used, the schedule CF.183 is replaced by an invoice CF.188. To prepare the invoice the cards are sorted into bundles, each bundle consisting of cards having the same number and value of contributions. The total of each bundle is entered in the appropriate place on the invoice. The invoice is summarised to give the total value of contributions on expired cards and voucher cards.

The insurance contributions on the personal pay record card or sheet of each employee are accumulated for the

appropriate contribution year—not the financial year. At the end of the contribution year the contributions for employees whose cards have expired are totalled. The total for each of these employees is then add/listed. This total, together with the total contributions for employees who have left during the quarter, must agree with the total of the summary of schedule CF.183 or invoice CF.188. The schedule or invoice and the summary are then sent to the local office of the Ministry, with the expired cards and the voucher cards for leavers.

There are at present about 1,800 businesses, mainly very large ones, using the direct payment method; they cover about three million cards. In all, over 20 million insurance cards are in use, and it is probable that 10 million could now be brought within the direct payment scheme—allowing for those using franking machines, there are hundreds of businesses with more than 250 workers, in which staff are still buying and sticking stamps unnecessarily. The minimum of 250 workers might with advantage be reduced. Since the limit has been lowered in recent years from 1,000 to 500 and then to the present figure, it seems quite possible that a further reduction might sooner or later be made: 100 workers would suggest itself as a reasonable minimum.

One need have no fear of the direct payments scheme; it is far easier to operate than would be imagined—the forms and instructions that go with the scheme are quickly mastered. A ready-made way of solving an important part of the security problem—while making a big saving in clerical expense!

Professional Education

The Association of University Teachers of Accounting recently held a conference on accounting education at the London School of Economics (see ACCOUNTANCY, April, 1958, pages 175-8). One of the sessions was on Educational Arrangements in Other Professions and in Scotland. The chair at the session was taken by Professor W. J. Baxter (London School of Economics) and the panel consisted of Sir Edwin Herbert, K.B.E. (member of the Council and Past President of the Law Society), Mr. J. Brandon-Jones, President of the Architectural Association, and Mr. A. D. Paton, C.A. In the report in our last issue we gave the replies of the panel on some of the questions and we now complete the report of the session.

(4) Please expand on your answer to (1) so far as it relates to *formal courses of training*. How far do your entrants rely, for example, on (a) correspondence courses; (b) technical colleges; (c) classes run by your own body; (d) universities?

Sir Edwin Herbert—The Law Society law school in London provides lectures

and classes for the Intermediate examination and for the Final and for the London external degree examinations. It also provides the compulsory year's course to which I have referred. It runs certain correspondence courses. The universities in the provinces, with the aid of grants given by the Law Society, provide the compulsory year course leading to the Intermediate. In addition to the universities and the Law Society

there is one very important element—the law coaches. There are several law coaching organisations, running both oral and correspondence courses and they are very largely resorted to, particularly for the Final examination.

The technical colleges do not come into our scheme of training.

Mr. Brandon-Jones—During and immediately after the war there was a big boom in correspondence courses for architects; many servicemen found time on their hands to study and wanted to try to keep up with their professional work in their time off. But that boom is dropping very rapidly and I do not think it will be very long before the correspondence courses fade out. There are now so many listed schools with semi-recognised courses that I think there is no point in correspondence tuition.

The general feeling, I think, among those of us who are really seriously keen about architectural education is that on the whole the university school is the best answer to the problem. But there are many very good schools in technical

colleges, some of which, however, are trying to transfer themselves to their local universities.

We have two independent schools, one run by our own Architectural Association in London and the other run by the West of England Academy at Bristol. The disadvantage of those two schools is that they do not get any direct funds from counties or from university grants. We have to rely on members' subscriptions and on having higher fees than other schools, although most of the fees are, in fact, paid by county awards and scholarships.

No classes are run by the R.I.B.A., which has never been a teaching body, only a learned society.

Mr. Paton—The Institute of Chartered Accountants in Scotland has for some considerable time had a connection with the universities. There are prescribed classes in law, economics and accountancy, for which all students must attend one or other of the Scottish universities or the London college run by the Scottish Institute. The universities fix the standards of the classes and examine the students in economics.

In addition, the students have to prepare for the Institute examinations: for this preparation they have a choice of either taking the tutorial classes provided by our own Institute or depending on correspondence classes provided by private tutorial colleges.

In Glasgow, Edinburgh and London the Institute runs a complete course of tutorial classes for all the examination papers. I would estimate that, although they are purely optional, 80 per cent. of our apprentices take these classes in preference to correspondence courses. The correspondence course is necessary for the apprentice who is at a distance from one of the centres and it is helpful for the student who gets behind in his studies.

The tutorial classes run by the Institute are not compulsory. The university classes are compulsory and if a person is apprenticed to a master at a distance from a university town he transfers his indenture for a year or two years to a master in a university town.

Professor Baxter—It is commonly said when this system is canvassed elsewhere that it would be bound to break down there—that the lad who is some miles away from a big educational centre cannot be expected to make the sacrifice, but can you reassure us that it has been done over and over again?

Mr. Paton—Yes, it has been done over and over again. I will refer later to an improvement on that, but it is quite a

recognised thing that boys in Inverness, for example, might spend three years with their master there and two years in Glasgow or Edinburgh.

(5) Are you satisfied with the form of training at present given? What are its good and bad points? If there are defects in the scheme that you have described in reply to earlier questions, has your body any plans for improving its scheme?

Sir Edwin Herbert—Personally, I do not think anything can really equal training with an academic background at the universities or the law school of the Law Society, which has pretty close contact with universities in many respects. I should say that the training one gets at the oral classes of the coaches is very good for the particular purpose for which it is designed—getting you through the Final examination, not necessarily educating you rigorously in the law.

To try to tack on to a normal university course leading to a degree a course which leads to the solicitors' Intermediate examination is not fair to the university and is not effective from the point of view of the student. It is not that the provincial universities are bad in any way, but because they are being asked to do something which just does not fit in with normal training for a degree.

Professor Gower (London School of Economics)—That, I am sure, would be the view of the provincial universities as well.

Professor David Solomons (University of Bristol)—I can confirm that.

Sir Edwin Herbert—In a sense, the better a university is, the worse is likely to be its training for the Intermediate. For example, you never think of getting Oxford or Cambridge to do such a thing—or London, for that matter.

Mr. J. T. H. Macnair—Is that because, generally, the principle is bad to tack on any vocational qualification to a university course, or is it partly because the particular examination for which they are training the students is of a comparatively low standard? You said it was a preliminary canter.

Sir Edwin Herbert—I would say it is neither of those reasons, really. It is because the Intermediate examination, taken at that stage of the proceedings, is something which is inherently different

from that which is provided and ought to be provided at that stage of the proceedings by the universities. For example, the solicitors' Intermediate examination is, as I say, a preliminary canter over the whole field of the law, taken approximately at the end of the first year of articles. Now the Intermediate examination of the universities, where there is one, is part of the general course leading up to a degree, consisting of such subjects as jurisprudence, Roman law, English legal institutions and so on—a valuable approach for the university but nothing to do with the solicitors' Intermediate at all.

Mr. H. O. Coulson (Institute of Chartered Accountants in England and Wales)—Is it not the case that in Scotland accountancy apprentices can be numerous so that transfer is relatively easy? In England they are restricted and transfer is not easy.

Mr. Paton—There is no definite restriction in Scotland, although the Council of the Scottish Institute has indicated recently that if a member should have more than five apprentices the matter should be looked into; otherwise it is left to the discretion of the employer how many apprentices are given training. But it has become an accepted fact that if one is practising more than twenty-five miles from an educational centre then that is just one of the conditions that your apprentices have to put up with. They know they can become apprenticed to a provincial member for a period but they must transfer to a university centre for part of their apprenticeship.

Mr. A. J. Bray—Would the panel comment on their experience of graduate students as opposed to non-graduates?

Professor Gower—It looks as if about 45 per cent. of successful candidates of the Law Society's Final at the moment have first taken a law degree and the percentage is growing. Gibson and Weldon, the best-known law coaches, say that in the years 1946–52, 85 per cent. of the successful candidates for the solicitors' Final have passed through their hands. The Law Society school in London told me that they have approximately 18 per cent. of the total entrants for the solicitors' Final.

Mr. Brandon-Jones—I don't know how much our problem in architecture is the same as in law or accountancy but the great advantage of taking an architecture course at a university or technical college or school of arts is that you are working on similar problems with students of similar experience and you can compare your results with



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theirs all the way through. You can walk round with those people and argue about it and those discussions and discussions with the staff give the main part of the teaching.

Sir Edwin Herbert—I support that. I do not think anything can ever be an adequate substitute for the personal contact between student and teacher and the stimulus which both sides receive from the contact. I am certainly of opinion that our system has some very good points, particularly the insistence on combining academic training and practical training in the office—something, I think, which we must never depart from.

The real difficulty, as I see it—I am speaking personally—is that we are trying to do more in five years than is humanly possible. Also, the timing and the sequence gives rise to all kinds of problems. For example, should the compulsory year's attendance at law school be taken? When should it be taken? Where should it be taken?

We are working quite hard at the Law Society now on a revision of the whole system. I do not say this is going to be accepted—it is my own view—but I think that we should abandon the attempt to have an Intermediate and a Final, trying to work instead to a system whereby we have the Final examination in two parts; the first part should be a general legal examination in the subjects that every lawyer ought to be familiar with, and the second part should be confined to a few rather technical, practical papers on subjects like practical conveyancing, taxation and so on. I would hope that the first part would be the equivalent of an honours degree at a university, and that an honours degree in certain subjects would give exemption from it. The great attraction of such a scheme, to my mind, is that it would bring the academic work in the universities in as an integral part of the training of a solicitor; I would hope, as the years went by, that very few people would ever take the first part of the solicitors' Final—as many as possible would get exemption by taking university degrees.

Mr. Brandon-Jones—I think the training we are getting now is a good deal better than it has been in the past but it is still by no means faultless. The R.I.B.A. is in a perpetual state of conference on setting up one thing or another to investigate architectural education, and the difficulty of having a policy or plans for improving the policy is that each committee set up to investigate produces a different and opposite set of criticisms.

Much criticism, which is now made, that architects are being trained too theoretically will, I believe, gradually fade away as the older people in the country practices are replaced by people who have had what I consider to be a better academic training. All the same, I do think that we rather go to the other extreme and that we have tended to make rather too sudden a change and leap right from pupilage into full-time academic training. It would be much better if we had a three-year course which exempted from the academic portions of the R.I.B.A. examinations and retained a longer period of some form of articles or practical training. It is difficult to go back because we have now established a sort of vested interest in the universities and in the other institutions running the five-year courses.

What we are trying to do at our architectural school—and some of the universities are trying similarly—is to make a break some time after the Intermediate and send people out into offices, but that is a very difficult matter to arrange—we find it extremely difficult to place out fourth-year students. An office doing interesting work is usually full to capacity with people doing the work and they don't know where to put a pupil. The office that is no good and has not got any work isn't the sort of one that we would wish to place our students in anyway.

Mr. Paton—We welcome graduates as apprentices to the Institute of Chartered Accountants of Scotland. Although it is difficult to generalise, it is true to say that the distinctions that have been given in the last years have generally gone to non-graduates. On the other hand, I think graduates pass the Final examination in a much better percentage than the non-graduates, due to their better preliminary education and university education. Some graduate apprentices, however, have said to me after completing a course, that they have felt, particularly if they have had to have a lot of time off for extra classes, that they feel lacking in practice, and would rather do a further year or two of practical work in a professional office before seeking occupation in industry or going into practice on their own account.

I do not think any professional body can for long be satisfied with its form of training because circumstances are constantly changing and if one is going to keep abreast with these changes one should constantly be revising methods of training.

Coming to the good points, as I see

them, of the arrangements of my Institute, I would put first and foremost the practical training which the system of apprenticeship affords. To be a successful accountant, either in industry or commerce, it seems to me that the apprentice must learn at an early stage to be accurate, neat and methodical. He must develop a keen mind. He must understand how to handle his clients and his staff. He must be taught the standards of integrity expected by his profession. I can think of no better method of dealing with these problems than the apprenticeship method. It affords that personal touch between master and apprentice where individual instruction and help can be given and I do not think you can get that in any other form of instruction anywhere. It is perhaps true to say that some members may fall short of the standards expected of them as masters but that is not the fault of the system, but of the masters, and I hope they are in the minority.

The other good point, I think, is that we have been able to have an association with university teaching which helps to develop the broader side as distinct from the essentially practical side of the profession and I think we are also fortunate in having been able to build up, possibly because of the fact that most of our apprentices are concentrated in the Glasgow areas, a system of tutorial classes.

Now the bad points and they are numerous. The syllabus over the last few years has been getting steadily wider and wider. I think we have now reached the stage at which we are asking apprentices to do too much to cover all that study in the evening in addition to a day's work. One has therefore to consider whether there should be some time off for studies. The second bad point, in my opinion, is that our examinations are held twice a year in December and May and therefore the course of tutorial instruction for these examinations becomes a three-monthly course prior to each of these examinations. In my opinion, a three months' course is far too short and tends to cramming rather than teaching. The third bad point is that we do not offer any oral examination at all. I always feel very sympathetic towards the candidate who passes in four papers out of five and next time passes a different set of four, and I think something could be done to institute an oral examination in borderline cases.

I am expressing my own point of view and not necessarily the views of my Institute, but we have had a committee

sitting on the question of training and teaching of the profession. It has issued its report, which at the moment is at the negotiation stage between the councils and representatives of the four Scottish universities. The main recommendation in the report is on this question of time off. The committee considered whether the time off for study should be on a piecemeal basis or a day or a half-day during the teaching session or whether it should be on a full-time basis. After very careful thought they decided that the better plan would be to have a leave of absence—a full academic year of nine months for full-time study. During this time the master would, it is intended, continue to pay the apprentice. The next question was: when do you undertake this full-time study? Should the boy go direct from school to a university or college and have this nine-months study and then come into the office for his practical training? A compromise, because there are conflicting views—our recommendation has not yet been before the members and we do not know if it will be adopted—is that the five-year apprentice should serve first of all two years in the master's office as an appren-

tice and take classes during these two years to bring him up to Intermediate level. He should pass his examinations during the course of these two years and then he should be given an academic year of absence, which would have to be spent with one of the universities, and during the academic year we would expect him to study on a full-time basis the present three prescribed classes in accountancy, in economics and in law.

We hoped that the universities would not only give classes in these three subjects but would undertake to examine in law, so that we could dispense with the Institute examination in law. If we could arrange that, then the apprentice would come back to the office for the last two years a very much more useful apprentice than the present fourth-year apprentice, because he would have had a full year's study in all the branches of law which we ask him to study, he would have had leisurely time to read a good deal on accountancy generally and under the university accountancy class should have acquired a much more mature outlook on the profession: we feel that he would come back for the last two years with a much more critical

mind and be a much more useful apprentice. In those last two years he would continue to take tutorial evening classes for our present Final examination, which covers, broadly, six professional subjects—probably to be expanded into seven professional subjects divided into two parts, one part to be taken at the end of year four and the other part to be taken at the end of year five.

Professor Solomons—Would Mr. Paton tell us whether there is not some reluctance on the part of the Scottish universities, at a time when they are facing great pressure on their resources to deal with prospective three-year undergraduates, to take on this burden of short-term sub-undergraduate teaching?

Mr. Paton—There may be, but bear in mind that the Scottish universities are at present providing classes on the three subjects and all we are asking them to do in addition is to examine in law plus perhaps a slight adjustment, if possible, of the law course. At the moment our apprentices are obliged to take either Scots law or mercantile law as fixed by the university faculties, but neither of these subjects quite suits us.

Accountant at Large

Parkinson's Law and Organisation

ACCOUNTANTS WHO HAVE read one of the two books *The Organisation Man* and *Parkinson's Law** ought to have read the other. An accountant who has missed either or both has an essential entry to make on his reading list. These books are to be numbered amongst the seminal books about business. It will be difficult for the readers of either to continue some of their business practices and attitudes without at least

some small agonising reappraisal. Both books are in their different ways of the calibre that may even change the tendencies they record.

Mr. Whyte is on the staff of the American magazine *Fortune*, Professor Parkinson on that of the University of Malaya. Each author is thus strictly outside the business field he examines. Professor Parkinson has probably the more nearly universal theme. Much of Mr. Whyte's long and carefully detailed study is on the surface mainly of American application, especially the last and longest

section of all, a morbidly enthralling study of the newest kind of American suburbia; yet while "It could never happen here" can carry us through many fascinating pages, time and again we are brought up short—why! this (or that) is happening here already! The best of youth is seeking the security of the great organisations, the group is being increasingly regarded as more important than the individual in business development, the whole great machine is becoming more closely geared to the production of the "well rounded" man rather than the rugged individualist: how much does this apply to us? How much is the scientist who goes into the organisation cramped by the necessities of applied rather than pure science? How deadly and how unscientific can the more advanced personality tests be? Mr. Whyte does not answer any of these ques-

**The Organisation Man*, by William H. Whyte, Pp. 419. (Cape: 28s. net.); *Parkinson's Law*, by C. Northcote Parkinson, Pp. v+122. (Murray: 12s. 6d. net.)

tions for Britain, but he is pessimistic as to the State of the Union.

Indeed the picture he draws is an alarming one. The "well rounded" man who is becoming the American business ideal is a pleasant enough fellow, but he is better at getting on with his fellows than at getting on with the job. Organisations large and small are vying with one another to put a premium on "well roundedness," and the universities, so largely endowed by big business, are increasingly preferring the applied to the pure. The liberal arts, having no direct usefulness, are more and more giving way to "practical" subjects—not merely to such subjects as engineering, but also to personality development, mental hygiene, advertising. At the University of Texas you can do "lab" work in the writing and production of radio commercials in an elaborate studio constructed for the purpose." Mr. Whyte points out the essential impracticability of all this for the student: "Even if he followed the speciality he studied at the business school, employers can find him lacking; he didn't learn what business can't teach him because he was too busy learning what business could teach him, and teach him better."

We are a long way from anything like this. But we have our management training, not all of it as good as the best, and our personality tests (Mr. Whyte is helpful in an appendix on how to cheat on personality tests!), our arch-apostles of the practical, and our distrust of genius ("No geniuses here," says the soundtrack of a recruiting film made by a chemical firm, "just a bunch of average Americans working together"). It may be that it can never happen here; one would like to hope that we could escape by virtue of our national sympathy for eccentricity, and by our remarkable dissimilarities from our American cousins.

We have our committees, too, and while they will certainly survive their Parkinson analysis we may hope that the Committee Mentality will be chastened by it. This study of how committees grow beyond usefulness, and then reconstitute themselves in smaller units (which themselves at once start to grow) is perhaps the

best single piece in Professor Parkinson's diversified series of pieces. The technique is the same in most of them: a pseudo-statistical presentation of a state of affairs with which we are all only too familiar, reinforced (just as we are beginning to laugh out aloud at his exaggerations) with real statistics even more devastating than the imitation, and the whole interspersed with side-kicks that would floor a mule. For example, of committees when the number is the ideal five, "four may well be versed, respectively, in finance, foreign policy, defence and law. The fifth, who has failed to master any of these subjects, usually becomes the chairman or Prime Minister." Or of Q, the Age of Qualification: "Now, Q is to be understood as a technical term. It does not mean that a man at Q knows anything of the business he will have to transact. Architects, for example, pass some form of examination but are seldom found to *know* anything useful at that point (or indeed any other point) in their career."

We have most of us seen the committee that passes without question large sums of money and wastes long periods quibbling over the small. The explanation is simple enough: the large sum is too large for comprehension—it is beyond the "point of vanishing interest." (There is a low point of vanishing interest too, below which sums are unworthy of discussion—Professor Parkinson suggests that it is the amount the individual is willing to lose on a bet or subscribe to a charity). We have most of us pondered the problems of retirement: what is the perfect age for it? Professor Parkinson points out one fact of some interest, that whatever the age fixed (R) one is seen to be losing one's grip at R—3. Another fact with which few will quarrel is that when Y is X's successor "the age gap between X and Y is exactly fifteen years. (It is not, we find, the normal practice for the son to succeed the father directly.)"

The two books, in many ways as unlike as can be, tie in together surprisingly well. One feels that the prototypal Organisation Man might not quite see the joke of Parkinson's

Law; the young men whom Mr. Whyte describes seeking admission to one or other of the great corporations that compete for their recruitment are all high-minded in their wish to serve the community; they seem genuinely uninterested in the more dazzling monetary rewards of enterprise. They would not really enjoy Professor Parkinson (nor, surely, would he appreciate them). The "Protestant Ethic," a phrase which Mr. Whyte uses to describe the individualistic, competitive, aggressive ideal of the Americans of another day, he sees being superseded by the "Social Ethic," by virtue of which a society that abominates communism becomes increasingly communal in outlook. Parkinson's Law—that in any business or administrative unit of whatever size "work expands so as to fill the time available for its completion" so that if the number of staff grows so does, automatically, the work they make for themselves—applies with equal force under Protestant and Social Ethic; but in the toleration that makes its recognition and statement possible there may lie salvation.

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The Finance Bill

Rates of tax

The standard rate and reduced rates for 1958/59 are to be the same as those for 1957/58. Surtax for 1957/58 is to be charged at the same rates as those in force in the previous year.

Age relief

Where the taxpayer or his wife living with him is 65 years of age or over at any time in the year of assessment, he is entitled to a deduction of two-ninths of his income up to a certain limit, whether the income is earned or unearned. That income limit is to be increased for 1958/59 from £700 to £800. It follows that where all the income is unearned and the taxpayer is entitled only to personal relief, marginal relief will operate until the income reaches £1,232.

The exemption limits, introduced in the Finance Act of 1957, are each to be raised by 10 per cent., that is, a single person age 65 or over will be exempted from income tax if his income does not exceed £275 and a married couple if the income does not exceed £440. Marginal relief will be available provided the income does not exceed a further £55. The tax payable is not to be more than one-half of the excess over £275 or £440 as the case may be. These provisions will not affect the amounts deducted or repaid under P.A.Y.E. before June 22, 1958.

Dependent relative allowance

The income limit of the relative is to be increased to £135. If the income exceeds that figure, the allowance will be reduced by £1 for each £1 of the excess.

Initial allowances

Initial allowances in respect of industrial buildings, dredging expenditure and plant and machinery are to be increased by 25 per cent. The initial allowance on capital expenditure incurred on or after April 15, 1958, on industrial buildings and on dredging will become 12½ per cent. and on plant and machinery 25 per cent. Expenditure which is deemed to be incurred on a date later than that on which it was actually incurred (because the expenditure was incurred prior to the commencement of business or was on premises on which mills, factories allowance was claimed) will not come in for the higher relief unless actually incurred on or after April 15, 1958. These new provisions do not apply to expenditure on ships on which an investment allowance of 40 per cent. continues to be claimable.

Schedule E

Certain fees payable in respect of registration or retention

of a name on a register (for example, retention of a name on the register of architects, registers of ophthalmic and dispensing opticians) which are a condition or one of the conditions of the performance of the duties of the office or employment, and annual subscriptions paid to a body of persons approved by the Commissioners of Inland Revenue which are relevant to the office or employment are to be allowable deductions from the emoluments of the office or employment if defrayed out of those emoluments. Subscriptions are relevant to the office or employment if the performance of the duties of that office, etc., is directly affected by the knowledge concerned or involves the exercise of the profession concerned. This proposal reverses the decision in *Wales v. Graham* (1941), 24 T.C. 75.

The Commissioners of Inland Revenue may approve any body of persons not of a mainly local character whose activities are carried on otherwise than for profit and are solely or mainly directed to all or any of the following objects:

(a) the advancement or spreading of knowledge (whether generally or among persons belonging to the same or similar professions or occupying the same or similar positions);

(b) the maintenance or improvement of standards of conduct and competence among the members of any profession;

(c) the indemnification or protection of members of any profession against claims in respect of liabilities incurred by them in the exercise of their profession.

Provision is made for approval of part of the subscription where only part of the activities of the body fall within (a) to (c) above. A body may appeal within 30 days to the Special Commissioners and thence, if necessary, on a point of law to the courts if the Commissioners refuse to approve or withdraw their approval of the body.

Charities

Hitherto property owned by a charitable body but used by a person whose income was £150 or more has been liable to tax. Clause 15 provides that the income of the person occupying or enjoying the use of any property shall not affect the exemption from Schedule A tax in respect of public buildings, offices and premises belonging to any hospital, public school or almshouse, or the exemption under Schedule A or D in respect of lands, tenements, etc., owned and occupied by a charity or the tax chargeable under Schedule B in respect of lands occupied by the charity. As a result of these exemptions, the provision whereby a clergyman or any minister of a religious denomination who occupies a rent-free residence

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by virtue of his office could claim to have the annual value of the property treated as earned income is to be repealed.

Dividend stripping

The avoidance of tax by dividend stripping was partially dealt with in the Finance (No. 2) Act, 1955. The device which was dealt with then was that of a purchase by a finance company of shares in a company which had large accumulated profits. These shares were afterwards sold back at a loss but in the meantime the finance company would receive a dividend on the shares on which it reclaimed tax under Section 341, Income Tax Act, 1952. Proposals are contained in the Bill extending and varying the original provisions in the 1955 Act in respect of acquisitions by finance companies after April 15, 1958. In addition provisions relating to trades (hereinafter called non-finance trades) other than a trade which consists of or comprises dealings in shares or other investments, are proposed. The Bill lays down that where the profits of any non-finance trade include a dividend the net amount of which would under the 1955 Act be required to be brought into account by a finance company as a trading receipt which has not borne tax, then in ascertaining whether any repayment of tax can be claimed in respect of a loss under Section 341 (as amended by Section 15, Finance Act 1953) or paragraph 3 of the Third Schedule to the Finance Act, 1954 (under which a loss is carried forward after the reconstruction of a company without change of control) the gross amount corresponding to the net amount which would have to be brought into account will be left out of the total income and the tax on such gross amount will be ignored. These provisions are to apply where the shares on which the dividend is paid were purchased after April 15, 1958, by the person carrying on the non-finance trade.

Settlements

The loop-hole disclosed by *C.I.R. v. Saunders* [1957] 3 W.L.R. 474 is to be closed. In that case it was held that where trusts had been declared in respect of a settlement of £100, the settlement was not to be treated as revocable, although the whole of the amounts added to the settlement in excess of the £100 were withdrawn. It is proposed that references in Section 404, Income Tax Act, 1952, to a power to revoke or otherwise determine the settlement shall include a power to diminish the amount of any payments that may be payable under the settlement, to diminish the annual payments that the settlor or his wife (or husband) may be liable to make, to diminish the property comprised in a settlement or to diminish the payments that may be payable under the settlement to any person other than the settlor or his wife. The foregoing is to apply for income tax for 1958/59 and surtax for 1957/58 except where the settlement was (a) made before April 16, 1958, and (b) is made irrevocable within three months after the passing of the Act. The settlor and his wife (or husband) must not receive any consideration for agreeing that the settlement will become irrevocable.

Time limits

Extensions to various time limits are to be made. The Sixth Schedule to the Bill gives the full list, but briefly where the claim or election had to be made within one year the period is extended to two or six years and for appeals 30 days are to be given instead of 28, 21 or 10 days as the case may be. A full list will be given in ACCOUNTANCY at a later date.

Pensions

Exemption from United Kingdom tax is to be given in respect of pensions payable to or in respect of persons who have served as officers to whom the Overseas Service Act, 1958, applies, so far as they are payable to persons resident outside the United Kingdom.

Tithe annuities

From the year beginning October 2, 1958, annuities are to be payable yearly on October 1, instead of half-yearly on April 1 and October 1. Annuities will be compulsorily redeemable under the provisions of Section 11, Tithe Act, 1936, if the annuity is of £3 or less.

Profits tax

For chargeable accounting periods beginning on or after April 1, 1958, profits tax is to be charged at a flat rate of 10 per cent. of the amount of those profits, subject to abatement where relevant. The provisions regarding non-distribution relief and distribution charges will cease to have effect for all periods after the above date. In computing profits or losses of interconnected companies in future periods, no adjustment is to be made in respect of annual payments, royalties and rent made by one company to another. There are transitional provisions to prevent companies from avoiding profits tax, by reducing the dividends for periods liable at the old rates of tax, unless there has been a fall in profits, when the dividend may be proportionately reduced.

Loan interest of nationalised industries and loan and share interest paid by statutory undertakings will be deductible in computing their profits.

To replace the provision which limited the profits tax chargeable on a building society to two per cent. of the profits computed without deduction for interest on money borrowed from members or depositors, it is proposed that, if the society is working under the usual arrangement with the Inland Revenue, in computing profits or losses of the society such dividends and interest shall be deducted. The amount to be deducted is to include an amount computed by reference to the dividends and interest in accordance with the provision made by the arrangements with reference to dividends and interest for charging the society to income tax. The amount of building society interest to be included in the recipient's profits (for profits tax only) is to be the amount received grossed up at the standard rate of tax.

A time limit of six years after the end of the chargeable accounting period has been fixed for making assessments for any period unless fraud or wilful default has occurred or in certain circumstances where a trade or business

1957/58 Out-turn and 1958/59 Budget Estimate

(after 1958-59 Budget changes)

		ABOVE THE LINE			
		£ million			
REVENUE		1957/58 Outturn	1958/59 Estimate	EXPENDITURE	
Inland Revenue		2,855	2,970	Interest on Debt	663
Customs and Excise		2,150	2,189	Sinking funds	37
Motor duties		101	104	Northern Ireland	72
				Miscellaneous	10
TOTAL TAX REVENUE		5,106	5,263	TOTAL CONSOLIDATED FUND SERVICES ..	782
Post Office (Net Receipt)		8	2	Supply: Defence	1,430
Broadcast licences		31	34	Civil (including tax collection) ..	2,708
Sundry loans		32	30		
Miscellaneous		166	110	TOTAL SUPPLY	4,138
TOTAL REVENUE		5,343	5,439	TOTAL EXPENDITURE	4,920
				SURPLUS	423
		5,343	5,439		5,343
					5,439

		BELOW THE LINE			
RECEIPTS				PAYMENTS	
Interest outside Budget	169	205		Interest outside Budget	169
Export Guarantees—Repayments	4	7		Export Guarantees	7
Housing receipts from Votes	7	8		Post-war credits	18
Local authorities—Repayments	47	52		Excess Profits Tax refunds	1
Post Office capital repayments from Votes ..	6	9		War Damage	22
Nationalised Industries (other than National Coal Board)—Repayments	13	29		Scottish Special Housing	5
New Towns—repayments	1	1		Armed Forces—Housing	3
Town and Country Planning Acts—repay- ments	4	4		Loans to local authorities	92
Potato Marketing Board—repayments	7	6		Loans to Northern Ireland Exchequer ..	—
Other repayments	3	2		Loans for New Towns development ..	29
				Post Office capital expenditure	79
				Loans for development of inventions ..	—
				Town and Country Planning Acts— Compensation payments	2
				Overseas resources—Colonial development ..	3
				Raw Cotton Commission—advances (net) ..	1
				Loans to Potato Marketing Board	11
				Loans to Sugar Board (net)	12
				National Coal Board— Capital expenditure (net)	81
				Loans to other Nationalised Industries ..	295
				Transport (Railway Finances) loans	66
TOTAL RECEIPTS	261	323		TOTAL PAYMENTS	896
NET SUM BORROWED OR MET FROM SURPLUS	635	600			
	896	923			896
					923
TOTAL RECEIPTS	5,604	5,762		TOTAL PAYMENTS	5,816
					5,998

ceases. Error and mistake claims must also be made within six years. These limits are not to apply to assessments or applications for relief made before the end of 1958, except in so far as they enlarge the time for giving notice of appeal.

Estate duty

There has been an increase in recent years of instances of purchase by a life tenant of the reversion from the remainderman. This transaction resulted in the avoidance of estate duty on the purchase consideration even if the life tenant died within five years. In respect of purchases after April 15, 1958, an amount equal to the purchase consideration must be included in the property passing on the life tenant's death within the five years.

It is provided that in all cases where after April 15, 1958, two or more persons die in circumstances rendering it uncertain which of them survived the other or others, the property chargeable with estate duty in respect of each death is to be ascertained as if they had died at the same instant and all relevant property had devolved accordingly. Property will not be deemed to pass for the purposes of estate duty on a person's death because on a later or

simultaneous death a testamentary disposition of that property takes effect as if that person had survived the testator.

Quick succession relief is to be extended to any property on a death occurring after April 15, 1958.

The exemption from estate duty on sales of works of art, etc., to national institutions will not apply unless the sale is made by private treaty—that is, monies received on sales at auctions to such bodies will not be free of duty.

The right of any person to transfer property to the Commissioners of Inland Revenue in satisfaction of estate duty is to be extended.

Stamp duty

In order to help people who wish to buy their houses, the stamp duty is to be as follows:

Consideration not exceeding	Approximate rate of duty per £100
£	£ s. d.
3,500	Nil
4,500	10 0
5,250	1 0 0
6,000	1 10 0

Investment Companies—When is Profits Tax “Payable”?—II

IN THE LAST issue of ACCOUNTANCY (pages 182–4), we reviewed the case *Special Commissioners of Income Tax v. Linsleys (Established 1894) Ltd.* [1958] 1 All E.R. 343. We concluded that the case involved “an adjustment of outlook regarding the wholly automatic nature of surtax directions against such companies [investment companies], since it is plain that, by however small a sum profits tax (grossed-up) exceeds actual income, profits tax rather than surtax will be payable. . . . On the other hand, where income exceeds profits tax (grossed-up) and profits tax has actually been paid, but is reclaimable under sub-Section (2) or (3) of Section 31 of the Finance Act, 1947, the sum recovered will not escape taxation but will be covered by an additional apportionment.”

The company in *Linsley's case* had not always been an investment company. Had the company always been an investment company, and not an investment company only since the date of cessation of its trading activities, would the position have been different?

Section 31 (3) of the Finance Act, 1947, provides that once the income of a company subject to surtax directions has been apportioned, and some (but not all) of the persons to whom the income is apportioned are individuals, the company and such of its members as are not individuals may elect to have the business of the

company treated as if it were carried on in partnership by the persons to whom the income is apportioned and to have the company itself relieved from liability to profits tax. This right of election, once exercised, is irrevocable and becomes effective for all future accounting periods in respect of which an apportionment is made. Where, then, this right is resorted to in the case of an investment company to which Section 262 (1) of the Income Tax Act, 1952, applies, it will hardly be possible for the company to accumulate undistributed income which will later become liable to a distribution charge. A distribution charge arises under Section 30 (3) of the Finance Act, 1947, when a company withholds profits from distribution in one chargeable accounting period, and thereby obtains non-distribution relief, but in a later period distributes a sum greater than the profit for that period (before abatement (if any) and including franked investment income).

Circumstances, however, alter cases, and when *Linsleys' case* was before the House of Lords the House was informed that though it might be supposed that it would always be in the interests of a company and its non-individual shareholders to claim the relief provided by Section 31 (3) of the Act of 1947, that was not so in view of the fact that the election, once made, applied not

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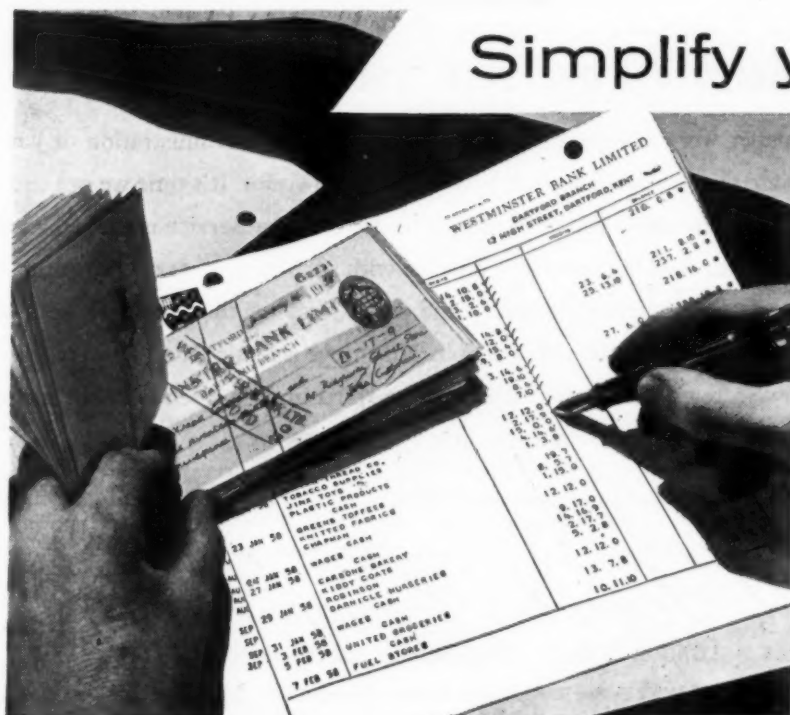
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only to the chargeable accounting period in question but to all subsequent periods in which income was apportioned.

Where all the members of a company are individuals there can be no question of the company paying both profits tax and surtax, because Section 31 (2) of the Act of 1947 makes exemption from profits tax automatic where the direction extends to the whole of the chargeable accounting period and the income apportioned is apportioned to individuals only. But where the income of a company is finally apportioned to corporate bodies as well as to individuals, it is liable to profits tax as well as to surtax directions against the balance of its income (after deduction of profits tax grossed-up) unless it is relieved of liability to profits tax as a result of an election under Section 31 (3). Hence, in the case of a company which has always been an investment company, whether the right of election above referred to is exercised or not, it is difficult to conceive of circumstances in which the company can become liable to a distribution charge which exceeds the profits of the company for the same chargeable accounting period, as happened in *Linsleys' case*.

But may there be a further difference where the company is a mixed one, predominantly an investment company, but also having estate or trading income? Unless an apportionment is made of its whole income, it will be liable to surtax on the investment income as well as to profits tax on its profits including non-franked investment income. That is to say: (1) an automatic direction must be given as respects that part of the income which is not estate or trading income as if it were the whole income of the company (provided, of course, there is such income after deduction of the grossed-up profits tax "payable") and (2) the provisions relating to undistributed profits are applied (without prejudice to the

treatment of the company as an investment company) as if the estate or trading income of the company were also the whole income of the company, so that a direction may be given if the company has not distributed a reasonable part of such income within a reasonable time.

An interesting situation, however, may arise where the converse is the case and a company is predominantly a trading company but with a large investment income. What is the position where the company makes a loss which exceeds its franked investment income but pays a dividend out of reserves which is less than the investment income? Does the dividend attract a distribution charge, having regard to the proviso to Section 34 (2) of the Finance Act, 1947—or, in other words, does the expression "profits . . . including franked investment income" (contained in the proviso) involve two calculations so that no distribution charge is payable, or only one calculation whereby it is payable? Such was the situation in *C.I.R. v. South Georgia Co. Ltd.* [1958] 1 All E.R. 593, in which the House of Lords recently gave the only decisive ruling, so far, on the construction of this difficult proviso, deciding in favour of the Crown; that is, that there was only one calculation required and the franked investment income was absorbed by the loss so that a distribution charge was payable on the whole of the distribution.

Of course, the provisions for automatic direction will not apply in the case of any company if the Special Commissioners are satisfied that the company exists wholly or mainly for the purpose of carrying on a trade (see *C.I.R. v. Highams (Saftex) Ltd.* (1956) T.R. 357), or for the purpose of co-ordinating the administration of a group of two or more companies, each of which is under its control and exists wholly or mainly for the purpose of carrying on a trade (Section 262 (7) of the Income Tax Act, 1952).

Surtax and Companies—III

In the first part of this article, published in our issue of March, 1958 (pages 129-30), we discussed the three provisions determining whether or not a company is one whose income may become liable to surtax. The second part, published in our last issue (pages 184-5), was devoted to apportionments, an aspect of one of the three provisions.

Distributions

To avoid the Special Commissioners making a surtax direction, the company must distribute to its members, within a reasonable time after the end of any year or other period for which accounts have been made up, a

reasonable part of its actual income from all sources for that year or other period, in a manner which will render the amounts received by the members liable to surtax.

The phrase "reasonable time" is not defined in the Act. It certainly

expires on the liquidation of a company (*Lionel Sutcliffe Limited v. C.I.R.* (1928), 14 T.C. 171). Mr. Justice Rowlatt in that case said "reasonable time" is only mentioned in order that eternity shall not come upon the scene where a company does nothing." What is a reasonable time will depend, therefore, on the facts of each case. But, as regards whether or not the company has distributed a reasonable part of its income, Section 246 provides that the Special Commissioners must have regard not only to the current requirements of the business of the company but also to the necessity of maintaining and developing that business.

Obviously, before a company can make a distribution it must be in a

position to do so; if the volume and value of its transactions are such that all cash resources are fully utilised in maintaining good trading relations with its suppliers and customers, no surtax direction will be made. If there is a considerable bank balance and the company wishes to make no distribution or only a small distribution in comparison with the profits for the year, it will have to show that it needs the excess of that balance over the distribution made for maintaining and developing the business. In this connection the Special Commissioners consider the facts as they would appear to the directors when deciding on the distribution (if any). If these are not sufficient to prevent a direction, it is normally useless appealing to the Courts, though it may be worth appealing to the Board of Referees. The decision of the Commissioners or the Board of Referees is one of fact which the Court will not disturb—see *The Aldwarke Co. Ltd. v. C.I.R.* (1933) 12 A.T.C. 387 and *The London and Northern Estates Co. Ltd. v. C.I.R.* (1931) 16 T.C. 128. The best place for the directors to reveal their views on the distribution is in the directors' report and/or in minutes in the minute book. Any lack of information in the report and minute book makes it difficult at a later stage to prove what was in the directors' minds at the time the accounts were considered. If an appeal is made against the direction, the absence of evidence of this nature handicaps the appellant.

Possible reasons for retaining cash resources are the anticipated purchase of additional plant or buildings with a view to expanding the business; the expectation of considerable expenditure on modernisation of premises or replacement of plant to maintain the trade of the company; the abnormal seasonal influx of funds which will disappear in the near future; to finance increasing business where creditors have to be paid more quickly than debtors pay; and taxation due on the profits for the year.

A commitment entered into before profits became available may be a barrier to distribution, but one

entered into afterwards will not necessarily be such a barrier. For example, an overdraft may be raised to acquire a new business and profits may be required to be applied in repaying the overdraft; that situation would not usually be regarded as preventing distribution, as a dividend could have been declared instead of acquiring the new business. Had it been ordinary expansion of the existing business, however, the position would have been different. The Special Commissioners will, of course, require the company to supply details of the facts on which the directors' statements are based.

The undermentioned sums, however, must be treated as sums available for distribution:

(a) Any sum expended or applied, or intended to be expended or applied, out of the income of the company (otherwise than in pursuance of an obligation entered into by the company before the beginning of the war of 1914–1918, i.e. August 4, 1914):

(i) in or towards payment for the business, undertaking or property which the company was formed to acquire or which was the first business, undertaking or property of a substantial character in fact acquired by the company; or

(ii) in redemption or repayment of any share or loan capital or debt (including any premium on such share or loan capital or debt) issued or incurred in or towards payment for any such business, undertaking or property, or issued or incurred for the purpose of raising money applied or to be applied in or towards payment therefor; or

(iii) in meeting any obligations of the company in respect of the acquisition of any such business, undertaking or property; or

(iv) in redemption or repayment of any share or loan capital or debt (including any premium on such share or loan capital or debt) issued or incurred otherwise than for adequate consideration; and

(b) Any sum expended or applied, or intended to be expended or applied, in pursuance or in conse-

quence of any fictitious or artificial transactions.

A surtax direction is not inevitable, even if sums mentioned in (a) and (b) were expended. But, in such circumstances, it must be shown to the Special Commissioners that the company has not been unreasonable in not distributing a greater part of its actual income in such a manner as to render the amount distributed liable to surtax in the hands of the members. Obviously the Commissioners' ideas on what is reasonable in such a case will be different from what they would be where no such sums have been expended.

[To be continued]

Taxation Notes

Schedule E Expenses

The Council of the Institute of Chartered Accountants in England and Wales last year submitted to the Board of Inland Revenue a memorandum on the Schedule E expenses rule. The memorandum is now published in the appendix to the report and accounts of the Institute for 1957.

The memorandum starts by reviewing the amendment which was proposed in the committee stage of the Finance Bill, 1957, and its withdrawal on the assurance that Rule 7 would be examined during the year. The amendment would have permitted the allowance of expenditure "reasonably incurred for the appropriate performance of the office or employment." But the Government considered that, in suggesting that wording, the Royal Commission on the Taxation of Profits and Income had not succeeded in formulating the solution of the difficulty. The Council of the Institute, however, would have supported the amendment, which it had already classified as of the highest priority.

The submissions made by the

Council to the Commission and the report of the Commission are then discussed.

The memorandum goes on to submit that "the law should be amended so as to authorise the deduction of all expenses incurred wholly and exclusively for the proper performance of the duties," but with such exceptions as are provided on the lines of sub-paragraphs (b) to (n) of Section 137 of the Income Tax Act, 1952 (Schedule D expenses rule). It also recommends that it should be clear that apportionments are permissible where appropriate—an example given is the cost of repairs to a motor car which is used partly for the performance of the duties and partly for private purposes—and that provision should be made for the deduction of expenses which are incidental to earnings from more than one source where assessed under Schedule D or E, along the lines recommended in paragraph 241 of the final report of the Commission.

Tax Burden on Learned Societies

In his presidential address to the Society of Antiquaries of London, Sir Mortimer Wheeler touched on the question of taxes on learned societies. He stated that the claims of the Inland Revenue had hit the humanities, if not the sciences, more savagely than air bombardment or inflation.

A conference had been held of learned societies affected by the judicial decision (*C.I.R. v. National Book League*) in which a claim for relief was rejected on the grounds that the payments were not ordinary typical covenanted subscriptions to a charity but were payments to the League in return for which the subscriber got some substantial advantage, so that the payments could not be described as pure income payments when they reached the hands of the League. At that conference it was decided to submit two test cases—those of the Antiquaries and the British Academy. After a long delay, the views of the Board of Inland Revenue were made known to them on February 14, 1958—to the effect that the Board was not satisfied on the evidence before it that the Society of Antiquaries was entitled to relief

from income tax. The consequence of the failure to repay income tax meant that not only the Antiquaries but many other learned societies to whom they were *in loco parentis* were faced with a problem in the publication of their serious contribution to knowledge.

Sir Mortimer called attention to a grant-in-aid from the Treasury to the Council of British Archaeology which had passed on more than one-third of it to central and local societies, including the Antiquaries, to help them with their printers' bills. With this small comfort they need not rest content. Another harmful effect of the non-repayment of income tax was upon the Antiquaries' library, which was unapproached within its field for range and quality anywhere in the United Kingdom outside the British Museum.

Surtax Without the Umbrella

The note under this heading in our last issue (pages 190-1) was written before Budget day and applied to cases where the rate of profits tax was 30 per cent. and non-distribution relief was 27 per cent. Naturally, it will be some time before any general indication can be gathered of the practice of the Special Commissioners with profits tax at a flat rate of 10 per cent.

The maximum dividend a company could pay with current rates of tax would be 47½ per cent. (free of tax) of its profits, thus:

Profits	£
	100,000
Income tax at 8/6 ..	42,500
Profits Tax at 10 per cent. ..	10,000
Net dividend	47,500
	100,000

It may be, therefore, that the expected net distribution, where adequate liquid resources are available, will be around 40 per cent. of the "commercial" profits, i.e. the profit of the year less all taxation and amounts properly written off in the appropriation account.

It is found that in many cases the Special Commissioners do not act immediately but wait until accounts

for three years are available before asking for particulars to enable them to decide whether action is to be taken. While this is not an unreasonable attitude, as it enables them to get a picture of the finances of the company, it does lull many Boards of directors into a feeling of false security. Every company would do well to seek a clearance each year.

Controlled Companies and Capital Withdrawals

The warning given in our last issue under this heading (page 187) appears to have been unduly pessimistic. It is now understood that the Special Commissioners do not "job backwards"; a withdrawal of profits in the guise of capital would bring them into action for the year of withdrawal, but there would not be a direction for earlier years on that ground.

The Dependent Relative Relief

If a taxpayer maintains at his own expense any relative of his or of his wife and the relative is incapacitated by old age or infirmity from maintaining himself or herself, or alternatively, whether incapacitated or not, is the taxpayer's or his wife's widowed mother, the taxpayer can claim relief of £60 in respect of each person he maintains. In 1957/58, where the relative's income was in excess of £105 in the year of assessment, the relief of £60 was reduced by £1 for every £1 by which the relative's income was in excess of £105 in that year (this is a form of marginal relief). For 1958/59, the Chancellor is proposing to substitute for the amount of £105 the figure of £135, to keep the figure a few pounds in excess of the old age pension. The proposal was expected, as, during the second reading of the National Insurance Bill, the Minister of Pensions and National Insurance had referred to it.

Where the dependant is residing with the taxpayer, the contribution made for maintenance is bound, in normal circumstances, to exceed £60 with the costs of lighting, heating, food, laundry, etc. at the present time and is accepted as doing so. But

the dependant need not reside with the taxpayer or in the United Kingdom. By concession, where the relative does not reside with the taxpayer and the contributions made are less than £60, an allowance equal to the actual amount of the contributions is made. The taxpayer must be prepared to answer in reasonable detail questions by the Inspector designed to discover whether or not the taxpayer is making provision for the maintenance of the dependant. If two or more persons contribute to the dependant's maintenance, the relief of £60 will be divided between them. Space is provided on the income tax claim for allowances for stating the weekly amount contributed by other relatives. Where any amount is inserted in this space, it is advisable to supply the names and addresses of the other persons contributing and the amount contributed by each. The value of any keep in kind must be included in the amount of the contributions.

The term "relative" covers any blood relation of the taxpayer or of his or her spouse and includes any person of whom the person claiming a relief had custody and whom he maintained at his own expense while that person was under the age of sixteen years.

The dependant must be incapacitated by old age or infirmity. A sister aged 47 years of age who keeps house for her brother who has never married and who suffers from no infirmity which would prevent her from earning her living elsewhere will not rank as a dependent relative, see *C.I.R. v. Fairbairn* (1950), 31 T.C. 383. If the brother is a widower or able to claim child relief for a child or children looked after by the sister, he can claim housekeeper relief, however, in respect of the sister.

A bed-ridden child over the age of 16 maintained by his father and not undergoing full-time instruction at an educational establishment or training for any trade, profession or vocation for a period of not less than two years will rank as a dependent relative. The father may claim dependent relative relief unless the child's income exceeds £135 with the marginal relief stated above. If the

child was under 16, child relief would be more beneficial than dependent relative relief.

Why Claim Relief under Section 142?

Apart from the possibility of getting relief more than once for a loss in a new business how can Section 142 of the Income Tax Act, 1952, confer any relief that Section 341 cannot? Under Section 341 any loss not relieved in the year in which it arose is available in the following year. And it is just such a loss that Section 142 covers.

There are, however, two points to remember.

(1) A claim under Section 341 is against total income, whereas a claim under Section 142 is against the assessment on another business. If, therefore, the loss available exceeds such profit, only so much of the loss as equalled the profit would be used under Section 142, leaving the balance available for relief in future under Section 342.

Illustration

P's total income, excluding his business profits, was £500 a year. He ran two businesses, assessed separately, which had the following results:

Business	A £	B £
Year to 31.12.57	Profit 1,000	
Year to 30.9.57		Loss 1,400
He made no claim under Section 341 in 1957/58. The alternatives for 1958/59 are:		
	Section 341 £	Section 142 £
Business A assessment	1,000	1,000
		Business B loss 1,000
Other income	500	500
	1,500	
Less Section 341 claim	1,400	
	100	

Under the Section 341 claim P. would lose the benefit of his personal allowances in excess of £100; under the Section 142 claim his allowances would leave little tax to pay and he would have a £400 loss to carry forward under Section 342 on business B.

(2) The set-off under Section 142 is

before deducting capital allowances whereas the Section 341 set-off is against the total income, i.e. after such deduction. This provision may accentuate the position mentioned in (1) above.

Partnerships Controlled Abroad

If a trade or business is carried on by two or more persons in partnership, and the control and management of the trade or business is situate abroad, the trade or business is deemed to be carried on by persons who reside outside the United Kingdom (U.K.) and the partnership is deemed to reside outside the U.K. That is so, even if some of the partners are resident in the U.K. and some of the trading operations of the partnership are conducted in the U.K. An assessment in respect of the profits arising in the U.K. may be made in the name of a resident partner to the same extent as, and no further than, such profits could be assessed on a non-resident (Section 147, Income Tax Act, 1952). These provisions subject a partnership to tests similar to those applicable to a company.

Technical Education

A person carrying on a trade in computing his profit may deduct any payment to be used for the purposes of technical education related to that trade at any university or university college, or at any such technical college or other similar institution approved for the purpose by the Minister of Education. The education must be of a kind specially requisite for persons employed and the class of trade in point. In Scotland the approval of an institution is in the hands of the Secretary of State; in Northern Ireland, the Ministry of Education there (Section 140, Income Tax Act, 1952).

Clitas

The "Current Law" Income Tax Acts Service Release 45 is dated April 17—two days after the Budget—and contains the Budget resolutions with commentaries and appropriate extracts from the Chancellor's speech and from the White Paper. It also gives a reprint of the Provisional Collection of Taxes Act, 1913.

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(i) persons not ordinarily resident in the U.K. who are the beneficial owners of any of the following securities are exempted from U.K. income tax on the interest arising: 3½ per cent. War Loan, 3 per cent. War Loan 1955/59; 4 per cent. Funding Loan, 1960/1990; 4 per

cent. Victory Bonds; 5½ per cent. Funding Loan 1982/84; 3 per cent. Savings Bonds 1955/65; 3 per cent. Savings Bonds 1960/70; 3 per cent. Savings Bonds 1965/75; and 2½ per cent. Defence Bonds (Conversion issue).

(ii) a person resident in Eire (the Republic of Ireland), if not also resident in the U.K., can claim exemption from U.K. income tax, but must then pay tax in Eire on his U.K. income.

Overseas Trade Corporations

Explanatory notes explaining the official views on the law and practice relating to Overseas Trade Corporations have now been issued by the Board of Inland Revenue. It is, as usual, pointed out that the notes have no binding force and do not affect a taxpayer's right of appeal on points

concerning his own liability to tax. The notes take up 36 pages and will be very welcome as a guide through the mass of legislation on this subject contained in the Finance Act, 1957. A review of the booklet, which may be obtained free on application to the office of any Inspector of Taxes, appears on pages 254-5.

The Year of Assessment

It is at first sight puzzling why such an odd date as April 5 is the end of the income tax year. Until the calendar was reformed in 1751 the calendar year began on Lady Day, March 25. That date is still the beginning of the land tax year, but the days cut out of the calendar in September, 1752, were added to make the tax year begin on April 6, so that no year had less than 365 days. Income tax was not introduced until 1799.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Trade—Company—Business of quarry-master—Desire to extend business to civil engineering contracts—Agreement with civil engineer for services—Insurance policies on life—Death of civil engineer in air disaster—Whether policy moneys revenue or capital receipts—Income Tax Act, 1952, Schedule D, Case I.

Lump sum receipts and payments have played a big part in income tax litigation; but whatever may be thought, even if not expressed, regarding many of them, there was nothing synthetic about the circumstance which gave rise to *Keir & Cawdor Ltd. v. C.I.R.* (Court of Session, January 17, 1958, T.R. 13). The appellant company's main activity up to 1949 was that of a quarry-master engaged in the production and disposal of materials used for civil

engineering in Scotland, such as bricks, sand and gravel. In 1949 the company had resolved to attempt to enter the field of civil engineering contracting. It realised, however, that it had not among its staff the knowledge and experience required for preparing tenders for and for supervising large civil engineering works, nor had it the established reputation needed to obtain such contracts. It resolved, therefore, to associate itself with a firm of international reputation amongst consulting civil engineers.

Greenhough Partners was such a firm; and an agreement was made between it and the company whereby for five years from December 1, 1949, Mr. Frank Greenhough, one of the partners, a consultant engineer with an international reputation especially in regard to barrages and heavy contract work, was to prepare and submit tenders on behalf of the company both at home and

abroad and to handle the technical negotiations. If a contract was secured, Mr. Greenhough was to be responsible for the organisation and supervision of the work and was to visit it at the company's expense. His remuneration was to be by annual salary and commission on the net profits of each contract secured. The Special Commissioners had found that in making the 1949 agreement the object of the company was to build up a goodwill in this new branch of its activities.

On the securing of Mr. Frank Greenhough's services, the company had taken out a policy of insurance with Lloyd's under which the company would be paid £30,000 in the event of his death with other benefits in the event of total or partial disablement. Subsequently, other insurance contracts had been entered into. The Lloyd's policy had been replaced by one with the Employers' Liability Insurance Corporation Ltd., and two other policies were entered into with the Economic Insurance Co. Ltd. for £10,000 each in case of death. In all, the policy moneys payable on death amounted to £50,000, and each policy covered not only death but total and partial disablement. In the Economic

policies Mr. Greenhough was insured as an employee, whilst in the Employers' Liability policy he was referred to as "the person assured". Having obtained the benefit of his services, the company had tendered for various large public works contracts in Australia and Africa, but the only such contract which it had managed to secure was one for the Chainat Dam in Siam. This large contract had been given to the company only on an assurance that Mr. Frank Greenhough would superintend the work. It was a management contract remunerated by fees and the company was sure of its profit once it had got it.

In January, 1954, when the 1949 Greenhough contract had less than a year to run, Mr. Frank Greenhough had been killed in an air disaster, and after his death the company had failed to secure any other civil engineering contracts. It had received £50,000 in respect of the insurance policies above-mentioned, and the issue was whether this amount was capital or a revenue receipt of its business. For the company, the chief argument was that the purpose of the Greenhough agreement was to build up a goodwill in the new activities, and that the object of the policies was to compensate it in the case of Mr. F. Greenhough's death for the loss of this goodwill or the inability to create it, and not for loss of profits. It was also contended that he was not a servant or employee of the company. Alternatively, it was also argued that his death had terminated the appellant's venture in civil engineering contracting work and that the policy moneys were compensation for the cessation of a valuable part of its business, a capital asset which was not profits, *Chibbett v. Joseph Robinson & Sons* (1924, 3 A.T.C. 521; 9 T.C. 48) and *Van den Berghs Ltd. v. Clark* (1935, A.C. 431; 14 A.T.C. 62; 19 T.C. 390) being cited in support.

The Special Commissioners had held that the case was governed by *Williams' Exors v. C.I.R.* (1942, 2 All E.R. 266; 23 A.T.C. 287; 26 T.C. 23), where the main facts were very similar. There, all three Courts had held the policy money to be profits and not capital; and the exhaustive analysis of the problem by Lord Greene, M.R., who had given the only judgment in the Court of Appeal, had been endorsed unanimously and without qualification in the House of Lords. The Special Commissioners had not found it necessary to decide whether or not Mr. Frank Greenhough was a servant or employee; and this was probably due to Lord Greene having held, in substance, that the point was

immaterial (26 T.C. at page 34). A unanimous Court of Session affirmed the Special Commissioners' decision, each of the three judges giving a separate judgment.

The President (Lord Clyde) said that in the ordinary case of a company insuring the life of a valuable employee, the policy moneys received on his death were by virtue of the *Williams* decision a revenue receipt. In that case, however, though, as he said, there was ample material for such an argument, the goodwill point was not raised. Nevertheless, he rejected it as reading too much into the agreement with Mr. Greenhough and into the terms of the policies. The company, he said, had acquired nothing of a capital nature from Mr. Greenhough, only a limited and non-exclusive right to services, and the goodwill it hoped would be created would be its own. The cover provided for partial or total disablement was, he held, quite unrelated to goodwill and was in his opinion compensation for loss of profits. As regards the policies, his Lordship pointed out that it was only because Mr. Greenhough was performing or under obligation to perform services that it had an insurable interest in him at all. As to the argument that the termination of the civil engineering venture of the company was within the principle established in the *Robinson and Van den Berghs* cases, he said that nothing approaching the kind of position envisaged in the latter case was disclosed in the facts—which were more analogous to the positions in *Anglo-Persian Oil Co. Ltd. v. Dale* (1932, 1 K.B. 124; 10 A.T.C. 149; 16 T.C. 253) and *Mitchell v. B. W. Noble Ltd.* (1927, 1 K.B. 719; 6 A.T.C. 159; 11 T.C. 372), where lump sum payments had been held to be of a revenue nature. Even if it were possible to treat the case as one where Mr. Greenhough's death had led to the complete termination of a civil engineering business, the policy moneys were not paid for that termination but for the death of Mr. Greenhough, who had no world monopoly in that kind of business. The fact that the company took no further part in such work did not mean that it could not have done so by finding another expert, and this confirmed his conclusion that the policy moneys represented compensation for the loss of profits which the company expected to make through Mr. Greenhough's services.

Lord Carmont was very critical of the Special Commissioner's case. In particular, he found it very unsatisfactory that there was no finding upon the con-

tention that the insurance was effected not against loss of profits but solely against the loss of goodwill which the company was building up. It was true, he said, that the policies did not mention loss of profits as being in view; but all the insurances were taken *in cumulo* and it was important to note that when they were entered into there was no goodwill flowing from Mr. Greenhough's agreement because he had not then secured any contract for the company. He said that in two of the policies indemnifying for death, Mr. Greenhough had been included in the same schedule as undoubted employees, and there was similar treatment as regards the cover for partial disablement. He had, he said, great difficulty in harmonising the idea of insurance of partial disablement with the maintenance of an existing goodwill and even more with that of a goodwill yet to be created. Apart from the authority of *Williams'* case, it seemed to him that the case could be decided against the company on the ground selected by itself. Goodwill, he said, had no application except in connection with a going concern. If the company hoped to create a civil engineering department by the help of a consulting engineer, any insurance of him would be intended to protect profits: any other view would present the expectancy of a future goodwill as an insurable interest. Considering the policies out of which the £50,000 was received in order to determine the nature of that sum, it was, his Lordship said, reasonably clear that the company was covering the risk of losing someone essential to the beginning and carrying on of the civil engineering business. Without at least one big contract the company could not begin to have any goodwill, and it could hardly be suggested, he said, that goodwill could be created unless it was carried out on a basis profitable to the company. It was, therefore, necessary to cover not only Mr. Greenhough's continued existence but also his freedom from injury which would interfere with the necessary and promised supervision of the Chainat Dam work. The Special Commissioners had, he held, reached the correct result and were right in rejecting the suggestion that the insurances were effected to secure some nebulous goodwill as a capital asset. Lord Carmont made no reference to the argument based on the *Van den Berghs* case.

Lord Russell in the course of his judgment dwelt, like the Lord President, but at greater length, upon the limited nature of the services to be rendered to

the company by Mr. Greenhough under the 1949 agreement. It was not, he said, the case of a once-for-all price for the acquisition of a capital asset, normally to be debited against capital, but the acquisition of the right to the part-time services of a skilled and well-known specialist in return for annual salary plus commission, normally to be debited against revenue. This, he held, was not a capital asset. As regards the policies he, like Lord Carmont, stressed the fact that when the first policy was effected in 1949, no profit had been earned in the new branch of business because no contract had been obtained. There was accordingly no element of goodwill, and the only insurable interest in Mr. Greenhough's life was the reasonable expectation of pecuniary benefit or advantage from his services. He considered that the weekly sums payable for disability appeared to reinforce the view that the insurance was intended to provide compensation for loss of services and the diminution of the profits of the company expectant therefrom.

He held that the value of Mr. Greenhough's services in creating goodwill would take effect through the augmentation of the profits of the company. Referring to and examining different types of goodwill, he said that the goodwill bound up with the personality of the person who had built up the business, as in the case of a professional man, was not readily transmissible apart from personal stipulations as to non-competition and the giving of introductions. The goodwill hoped for in the case was to be attached to its own name as a civil engineering contractor with the help of Mr. Greenhough's services but, his Lordship added, it never possessed such a goodwill and by October, 1956, it had apparently abandoned hope of doing so. He was unable to agree that the £50,000 could reasonably be regarded as compensation for loss of goodwill and a capital receipt. His conclusion was, in his opinion, supported by the *Williams* decision; and he held that the Special Commissioners were right in following it. As regards the argument based on the *Van den Berghs* case, he said that he fully agreed with the conclusion of the Lord President and with the reasoning upon which it was based.

The arguments for the company would seem to have required a good deal of what in legal circles is called "courage." They call to the present writer's mind the story of the American who claimed a pension on the ground that he was the veteran of a future war.

Income Tax

Trade—Hobby of breeding and coursing greyhounds—Profits from sales of surplus puppies—Whether concern in the nature of trade.

The point at which the pursuit of a hobby gives rise to a severable activity in the nature of trade is, as Upjohn, J., observed in *Hawes v. Gardiner* (Ch. December 18, 1957, T.R. 341), a question of fact and degree in every case. The appellant, Mr. W. Hartley Hawes, appealed against an assessment under Schedule D in respect of profits from what was described as "greyhound racing", but in fact was, as the judge said, really in respect of profits from the breeding and sale of greyhounds, as stated in the Commissioners' case. Amongst his other activities the appellant had for many years carried on the "hobby or sport" of breeding greyhounds and coursing them, winning many coursing cups as a result. Down to 1945, there was no dispute between the parties that his sole object was to win prizes.

As the natural result of his breeding activities, he had more puppies than he desired for coursing and, keeping the best, he either gave away the others or destroyed them. He had continued his hobby until the year 1950 when he had given up breeding altogether on obtaining a licence as a greyhound trainer. In 1945, the price of greyhound puppies had risen substantially, and from then until the end of 1950 he had sold his surplus puppies. From the beginning of 1945 until the end of December, 1948, the sales had amounted in aggregate to £4,216. A strong argument for the appellant was that the Commissioners had found in their Case that although the appellant had realised in 1945 and right up to 1950 that puppies would continue to make "big figures," he had not increased his stock of bitches and greyhounds retained for coursing over and above the 1929-1945 numbers. A further finding was that between 1920 and 1945 the appellant *purchased—our italics—"only two greyhound bitches."* Upon this, Upjohn, J., commented: "I think that this means he only had two greyhound bitches on his farm at any given moment," although it may be suggested that all the finding meant was that apart from two purchases he had only bred from bitches of his own rearing—a point clearly in his favour.

The General Commissioners for the Newmarket Division had found that the selling of surplus puppies between 1945 and 1948 had arisen from "a non-com-

mercial enterprise," but that it was separable from that enterprise:

The object of the activities of the appellant became commercial unintentionally and *thus—our italics—became a concern in the nature of trade.*

Upjohn, J., affirmed their decision. He agreed with Counsel for the Crown that the "thus" italicised above was unsatisfactory and was better left out. The argument that as the only object had been to breed greyhounds for coursing the sale of surplus puppies could not of itself amount to a profitable trade was, he considered, a question of fact. Having regard to all the facts, he held that there was evidence upon which the Commissioners could properly find as they had done.

The meaning of "hobby," as given in the Pocket Oxford Dictionary is "favourite occupation not one's main business," and although this, as a definition, may be regarded as tendentious and inadequate there is no doubt but that the greater the degree to which a hobby is pursued the greater is the likelihood that, as an incidental consequence, it will give rise to activity of a trading nature. Whether or not it will attract notice for income tax would seem to depend largely upon circumstances. "A city that is set on a hill cannot be hid," and a dog-breeding establishment is in like case. It is otherwise with other hobbies where also the disposal of the surplus to requirements is a main feature, for example, that of the unobtrusive stamp-collector.

Income Tax

Schedule E—Employment of profit in company—Employees liable to transfer to other parts of country—Housing problem—Scheme to overcome difficulty—Interest-free loans to buy approved houses—Guarantees against loss to house-purchasers—Payments under guarantees—Whether profit or perquisite of employment—Whether payment in respect of expenses—Income Tax Act, 1952, Sections 156, 160, Schedule IX, paragraph 5.

Normally, the man who has a wife and family and has become "rooted" dislikes very much having to pull up his roots and move to another locality. Even where the move means promotion such a necessity is a very big fly in the ointment. The shortage of middle-class houses to let has made matters much worse because in what is often something like a game of musical chairs the incoming stranger is at special disadvantage. Nevertheless, for the most

effective deployment of the human resources of a big business undertaking, mobility is essential; and in the case of Imperial Chemical Industries, Ltd., one of the normal conditions of employment was liability to transfer to such of its factories or offices as the company should direct. With a view, however, to minimising discontent and mitigating hardship, the company had instituted a scheme, entry into which was optional, whereby interest-free loans were made available for the purchase of houses approved by the company and, further, the employee was indemnified against loss in the event of the house being sold and realising less than the original cost to him. The scheme was an elaborate one and carefully drafted to restrict its operation to the objects aimed at. For present purposes the details of the scheme and the circumstances affecting each employee are immaterial. A general principle was in issue in *Hochstrasser v. Mayes and Jennings v. Kinder* (Ch. December 20, 1957, T.R. 365), two cases concerning I.C.I. employees, heard together, where there had been a reimbursement of loss of £350 to the one and of £450 to the other, the question being whether these sums constituted profits of an office or employment. In *Mayes's* case, the General Commissioners had found in his favour, whilst in *Jennings's* case, where an additional point was involved, another body of General Commissioners had decided in favour of the Crown. In a convincing judgment distinguished by close reasoning and independence of opinion, Upjohn, J., found that neither of the sums was an emolument or profit from the employment.

The argument for the employees, he said, was that the payments in question did not arise from the office or employment because it was not a profit and was in no sense a reward for services. A profit or perquisite, it was argued, must essentially arise as a reward for services, whether past, present or future.

He said that for the Crown on the other hand it was contended that, save for transactions between employer and employee for full consideration, every payment by the former to the latter must either be a personal gift on grounds personal to him and not to him as an employee—in which case it was not taxable—or a payment to him as an employee because he filled some office or employment—in which case it was taxable. He rejected this argument. Disregarding entirely contracts for full consideration and personal presents, he held that not every payment made to an

employee was necessarily made to him as a profit arising from his office. In his opinion, the authorities showed that to be such a profit the payment must be made in reference to services rendered by virtue of the office and be a reward for services past, present or future. He thought that the argument of the Crown was based on a misinterpretation of some of the authorities arising from the fact that in so many of the cases the whole question was whether the payment was a profit from the employment or a personal present and the possibility of its being a payment unconnected with services did not arise. Examining the authorities, he finally turned to the recent case of *Bridges v. Beasley*, *Bridges v. Hewitt*, the "Meccano" case (1956-57, 37 T.C. 289); a quotation from the judgment of Morris, L.J., in that case read:

Accordingly, the fact that someone who receives a benefit is the holder of an office does not of itself prove that what he received was a profit from the office. That has to be decided by considering on the evidence whether what was received was received as remuneration for the services rendered in the office.

The passage was, Upjohn, J., believed, an extremely important summary of the law and was the true test.

Applying this test to the facts in *Mayes's* case, he held that the housing agreement formed no part of the employee's remuneration nor did any payment thereunder. It was no part of his contract of service, nor was it an inducement held out to him to enter the employment of the company, the respondent not knowing of the scheme until he had been employed for quite a long time. His Lordship, however, agreed that it was connected with his office in the sense that had he not been employed he would not have entered into it. In another sense, also, it was so connected, for he entered into it because of the indemnity against loss in the event of transfer. But, as pointed out by Lord Simonds in *Beak v. Robson* (1943, A.C. 352; 21 A.T.C. 397; 25 T.C. 33), those considerations were not really conclusive. The payment to *Mayes* was not, he held, a reward for services in the true sense. It was an advantage but not a profit, something wholly collateral which had nothing to do with his office or the services he was bound to render.

As regards *Jennings's* case, it was, he said, indistinguishable save for the application of Section 160 of the Income Tax Act, 1952. He was in a higher grade than *Mayes* and was at the relevant time receiving more than

£2,000 per annum. By the Section, which only applied where this condition existed, any sum paid in respect of expenses by a body corporate had to be treated, if not otherwise chargeable to tax, as a perquisite and included in the income assessable. By the proviso to the Section nothing was to prevent the director or employee making a claim under paragraph 7 of the Ninth Schedule in respect of money "expended wholly, exclusively and necessarily in performing the duties of the office or employment." Quite clearly, if Section 160 applied, the proviso would be of no use in the circumstances. Upjohn, J., however, pointed out that Section 160 was part of a Chapter headed "Expenses Allowances to Directors and Others"; and his first comment was that the "expenses" referred to, were the ordinary expenses that directors and employees incurred and not a payment like that made to Mr. Jennings. But, in the year of assessment, Jennings had not been put to any expense although he received less for his house than he had paid for it; and this could not in any ordinary use of language be described as an expense. The only expense had been when the house was purchased years previously. The reasoning whereby Mr. Jennings's payment was extricated from the close meshes of Section 160 strikes one as being both ingenious and sound. Nevertheless, although the actual decision in the case may not have been unwelcome, it would seem to open up certain possibilities which may cause uneasiness to the Revenue.

Income Tax and Profits Tax

Trade—Statutory Board created for the running of totalisators at racecourses—Percentage of takings of totalisators received by Board—Deduction of expenses—Application of surpluses to be for improvement of breeds of horses or the sport of horse-racing in accordance with approved scheme—Whether payments under scheme allowable in computing profits of Board for income tax and profits tax—Payments by Board for improvement of racecourses—Whether capital expenditure—Racecourse Betting Act, 1928, Sections 1, 2, 3—Betting and Lotteries Act, 1934, Section 18 (5)—Income Tax Act, 1952, Section 137 (a), (b).

One of the problems that have to be dealt with when an undertaking is socialised is how its contribution to the national common fund or budget shall be fixed and levied. Of late years

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the Boards which have been created have been regarded as if they were being run for private profit and no socialisation had taken place. This method, whilst possessing great practical merits and avoiding political pitfalls, has the drawback that in the event of disputes arising between such a Board and the Revenue expensive litigation may ensue, a position incongruous and at times absurd. *Young v. Racecourse Betting Control Board* (Ch. December 6, 1957, T.R. 357), *C.I.R. v. the same*, and cross-appeals involving the same parties, related to income tax and profits tax assessments for the years 1953/54 and 1954/55; and in each case the question was whether certain items of expenditure were allowable as deductions in computing the income of the Board for tax purposes. The Board was set up in 1928 by the Racecourse Betting Act, 1928, an Act passed to amend the Betting Act, 1853, to legalise the use of totalisators on racecourses and make further provision regarding betting on racecourses. The Board operated totalisators on some seventy-odd racecourses in England. By Section 3 (3) the whole of any money staked on any race had to be distributed to winners subject to the deduction of a percentage determined by the Board. By Section 3 (4), this percentage together with any other moneys received by the Board was to be paid into a fund to be established—the totalisator fund. By Section 3 (6), after payment out of the fund of

all taxes, rates, charges and working expenses, and to the retention of such sums as they think fit to meet contingencies, and to the payment out of the said funds of such sums as they think fit to charitable purposes

the totalisator fund was to be applied in accordance with a scheme prepared by the Board and approved by the Secretary of State to purposes conducive to the improvement of breeds of horses or the sport of horseracing. By Section 18(5) of the Betting and Lotteries Act, 1934, the scheme to be prepared and approved might include purposes conducive to the advancement of veterinary science and education.

Although, as has been seen, the Board were required to apply the totalisator fund for the purposes mentioned, its assessable profits for income tax and profits tax fell to be computed in the same principles as would have been the case had it been a commercial enterprise operating for private profit. It appears from the judgment of Upjohn, J., that in 1952 the totalisator fund

amounted to over £500,000 and had been applied as follows:

1. About £250,000 to a Racecourse Fund for the improvement of racecourses. In 1952, the Board had given general authority for up to 25 per cent. of allocations from this fund to be used in augmenting prize-money.

2. About £168,000 towards the cost of conveying racehorses to race-meetings.

3. £60,000 for the administrative expenses of the Jockey Club, the National Hunt Committee and the Racecourse Recording Camera.

4. £25,000 for the benefit of point-to-point meetings and a small sum to the Pony Turf Club.

In 1954, a runners' allowance of £1 to every owner whose horse ran in a race—presumably £1 per horse—was instituted and provisions in the 1954 accounts amounted to £42,000. On appeal, the Special Commissioners had held that all the expenditure above-mentioned, save that relating to the improvement of racecourses were admissible deductions in computing the Board's profits for profits tax and income tax. Upjohn, J., reversed their decisions against the Crown, and, on the cross-appeal, affirmed their decision regarding allocations from the Racecourse Improvement Fund but for a different reason.

After examining the facts and the legislative provisions with his usual thoroughness, Upjohn, J., held that, when the deductions set out in Section 3 (6) had been made, the trading activities of the Board had come to an end. The fund which remained was, he said, to be held on the trusts set out in the latter part of the sub-Section but appropriations thereout had no reference to trading activities but were "made and are made only" because of the provisions of the sub-Section. "Expenses" meant expenses in connection with the operation of the "tote" and had nothing to do with ultimate effects. On this footing, the outlay of £42,000 was, he held, *ultra vires* the Board and as they could not deduct it in their accounts they could not deduct it for income tax. Even if they could, it was not in his opinion within Section 137 (a) of the Income Tax Act, 1952, as being wholly and exclusively for the trade and, in any event, it was not in his opinion a "working expense." Having held on the main appeals that the Board's trading activities stopped at the point where the "scheme" started, the question of the allocations for the improvement of racecourses did not therefore, arise; but as there had been full arguments after reviewing the relevant cases he said that

he found much difficulty in thinking that the expenditure could be treated as of the enduring character envisaged by Lord Cave in *Atherton v. British Insulated and Helsby Cables Ltd.* (1906, A.C. 205), as properly attributable to capital.

It seems to the present writer much as if the Board were, as the result of the judgment, put in an unfortunate position. Although not a commercial undertaking, it was chargeable as if it were but, nevertheless, was also subject to the restrictions imposed by Section 3 (6) and so deprived of the right to make deductions permissible if, in fact, it was a commercial undertaking. As regards the runners' allowance, his Lordship pointed out that in the long run this was for the benefit not only of the "tote" but of the public and everyone else concerned with the sport of racing. In his judgment it would not in any event be a proper deduction for income tax, even if it were, as in his judgment it was not, a "working expense." It would seem to be somewhat difficult to reconcile this part of the judgment with the judgments in *Morgan v. Tate and Lyle Ltd.*—the "Mr. Cube" case—(1952-54, 35 T.C., 367).

Stamp Duty

Sale of shares by individual to company—Consideration payable by equal annual instalments spread over period of 125 years—Under sale agreement transfer to company to be made after payment of first instalment—If any instalment or part thereof in default for 90 days after due date balance of total consideration to be payable with interest at 4 per cent. Transfer deed executed subsequent to payment of first instalment—Whether agreement to be stamped as instrument being "the only or principal or primary security for . . . sum or sums of money at stated periods" at 5s. per cent. ad valorem or to be stamped 10s. only under proviso to Section 56 (4) of Stamp Act, 1891—Transfer deed to be stamped ad valorem—Whether duty computable on footing that default clause a term of sale operable within twenty years—Whether duty computable only upon total amount of first twenty instalments—Whether interest payable on repaid duty—Stamp Act, 1891, Sections 13, 56, Schedule—Law Reform (Miscellaneous Provisions) Act, 1934, Section 3—Crown Proceedings Act, 1947, Section 24.

The name of "Vestey" is associated in taxation matters with cases, not only involving vast sums but presenting ingenious and interesting—and successful—schemes for reducing the burden of

taxation which would otherwise have fallen upon members of the Vestey family. The present case would seem to be the first round of a contest in which the Revenue, will, no doubt, hope for better fortune than ultimately awaited it in previous conflicts. **Western United Investment Company Ltd. v. C.I.R.** (Ch. December 20, 1957, T.R. 351), arose out of a remarkable contract for the sale of certain shares. The appellant was a "Vestey" company of which much information will be found in paragraph 6 of the Commissioners' case in *Union Cold Storage Co. Ltd. v. Adamson* (16 T.C., page 296) and in paragraph 5 (ii) of the Commissioners' case in *Lord Vestey's Exors. and Vestey v. C.I.R.* (31 T.C., page 11). A Mr. E. H. Vestey was the owner of 35,058 5 per cent. cumulative second Preference shares of £10 each and 29,800 Ordinary shares of £10 each in the capital of Frederick Leyland & Co. Ltd., which his accountants had advised him were worth some £2 million, and he "was minded," in the words of Upjohn, J., to sell these shares to the appellant company which was to hold them as trustee of some settlement in consideration of payment by annual instalments over a period of no less than 125 years. The accountants had further advised that a fair price would be 125 annual payments of £44,000 each, aggregating £5½ million. An agreement was accordingly executed on May 9, 1956, between Mr. Vestey, as vendor, and the appellant company.

The operative parts of the agreement were in substance:

1. Sale and purchase for £5½ million.
2. Payment without interest by 125 instalments as above mentioned; the first payment to be made on June 1, 1950.
3. If any default in payment for 90 days, the whole of the unpaid instalments to become immediately payable with interest at 4 per cent. as from expiration of the 90 days until payment.
4. Upon payment of the first instalment the vendor to execute and the company to accept transfer of the shares. The vendor not to be entitled to any charge or lien on the shares for unpaid instalments.

The agreement was followed by the deed of transfer of the shares, also dated May 9, 1950. It was, however, conceded that the transfer had to be regarded for stamp duty purposes as having been executed on or after the payment of the first instalment on June 1.

The contention of the Revenue was that the agreement ought to be stamped as a "bond, covenant or instrument of any kind whatsoever," being the only or principal or primary security for . . . any sum or sums of money at stated

periods," the duty payable being at 5s. per £100 on the total amount payable, or £13,750. It was claimed for the appellant on the other hand that the agreement was exempt under the provisions of Section 56 (4) of the Stamp Act, 1891, which reads:

Provided that no conveyance on sale, chargeable with *ad valorem* duty in respect of any periodical payments, and containing also provision for securing the payments, is to be charged with any duty in respect of such provision, and no separate instrument . . . for securing the payments is to be charged with any higher duty, than ten shillings.

As Upjohn, J., said, at first sight the proviso fitted the case exactly, but Counsel for the Crown contended that the sub-Section conferred exemption only where the agreement came into existence *after* a conveyance on sale, and that if the agreement had been presented for stamping on May 9 the Commissioners of Inland Revenue would not know whether in fact a conveyance on sale would be executed and it would not be possible to say that the statutory conditions were satisfied. He held, therefore, that the agreement was subject to the 5s. *ad valorem* duty and assessed it at £13,750.

The second part of the case involved a greater amount of duty. It was undoubted that the deed of transfer had to be stamped *ad valorem* at £2 per cent. as a conveyance on sale. The consideration being payable by instalments it was contended upon behalf of the company that in conformity with sub-Section (2) of Section 56 of the Stamp Act, 1891, duty should be levied:

. . . : on the total amount which will or may, according to the terms of sale, be payable during the period of twenty years after the date of the instrument,

that is, upon twenty instalments of £44,000, or £17,600. For the Revenue, upon the other hand, it was argued that on the terms of sub-Section (2) it was necessary to look at the terms of sale and see what would or might be payable in the first twenty years. One of the terms was clause (3) which might come into operation within that period, and thereupon the whole of the instalments unpaid would become payable. As a result the *ad valorem* duty payable was on £5½ million—namely, £110,000. Upjohn, J., said the argument might be summarised to the effect that in one contingency all the instalments might become payable and that where the clause operated there was an acceleration so that all the instalments might become payable within the twenty years.

He rejected this argument. Whilst in *Underground Electric Railways v. C.I.R.* (1906, A.C. 21) Lord Lindley had held that money payable under Section 56 included money payable on a contingency, he said he did not think that Lord Lindley had in mind as a contingency a provision of a contract which would come into operation only if the agreed terms of sale were broken. He held in effect that the terms of sale did not include clause 3 and, deciding against the Revenue, fixing the duty at £17,600, and ordering the return of £92,400.

Despite argument for the company based on Section 3 of the Law Reform (Miscellaneous Provisions) Act, 1934, and Section 24 of the Crown Proceedings Act, 1947, that he should order interest to be paid by the Crown on the excess payment, Upjohn, J., held that he was not empowered to do so. The report of the judgment does not reveal the real purpose of the extraordinary features of the agreement. The reader can only guess.

Tax Cases— Advance Notes

HOUSE OF LORDS (Viscount Simonds, Lords Morton of Henryton, Reid, Tucker and Somervell of Harrow). **London Investment & Mortgage Co. Ltd. v. C.I.R.** April 24, 1958.

Their Lordships unanimously dismissed the appeals of the company from the decision of the Court of Appeal holding that value payments made to the company under the War Damage Acts were receipts of its trade of property dealing. (See ACCOUNTANCY for April, 1957, page 174.)

COURT OF APPEAL (Lord Evershed, M.R., Morris and Ormerod, L.JJ.).

Racecourse Betting Control Board v. Young (heard in the Court of Appeal, April 21 to 24. See pages 246-7 of this issue for decision of Upjohn, J.). The Court of Appeal found in favour of the Revenue.

Judgment has been reserved in the following two appeals:

Grey v. C.I.R. (heard in the Court of Appeal, April 15 to 18. See ACCOUNTANCY for April, 1958 (page 193) for decision of Upjohn, J.)

Oughtred v. C.I.R. (heard in the Court of Appeal, April 24 and 25. See ACCOUNTANCY for April, 1958 (page 194) for decision of Upjohn, J.)

The Month in the City

Investors and the Budget

April was a month of considerable disturbance for investors with rather threatening developments in foreign affairs and contradictory reports from the United States on the progress of the recession and varying official reactions to it. It seems, however, that Mr. Heathcoat Amory's Budget proved to be the factor of dominating importance, and its effects were almost wholly favourable. It was a Budget which, while it sacrificed only some £50 million of revenue in the current year, succeeded in giving something to almost everybody. Certainly, except in so far as some businesses will benefit from increased demands arising from cuts in Purchase Tax, the Budget gave the investor nothing immediate in the way of tax relief, but the increase of one quarter in initial allowances and, still more, the consolidation of the two rates of profits tax promise future benefits and indicated that the new Chancellor was aware of the dislocation of normal methods of finance produced by the differential form of the tax. The move towards the consolidation of purchase tax over a wide range of products at (it is to be hoped) only one or two rates is also very welcome. The profits tax adjustment means that when it is complete no further tax will be payable on distributions out of profits earlier ploughed back into reserves. It is quite evident that the attractiveness of Preference share issues to those responsible for arranging company finance will be transformed. An increase in the supply of securities of this type may reduce the value of those in existence, but, on the other hand, the present issues of loan stock rank ahead of existing Preference capital, whereas new issues of Preference shares will tend to rank behind those already in being.

Stable Money

There will be those who suggest that to give away anything in tax relief without a corresponding drop in Government spending is to court a continuance of inflation. On the whole, however, it seems to be agreed that if the Chancellor, like his predecessors, took a risk in framing his Budget, it was a small one. The whole tone of his speech and the nature of his concessions suggested very strongly that the Government still regards as its first objective a stable

pound. It is true that what look like unnecessarily large concessions on the matter of rents have been made (see page 217) but much depends on how the courts interpret the legislation. The relaxation of the credit squeeze in favour of those areas where unemployment is high is evidently an excellent move. Since the Budget there is also some indication that the railways may get rather more than was allowed for to keep up the rate of capital expenditure, but if so the price is small to pay for an agreement to link a wage increase to co-operation in securing reductions in costs—if achievable. On balance, the general body of investors seem to have taken an optimistic view of the conjuncture, and the month has seen a modest rise in the value of almost all types of security and especially of the Funds. The one exception—and one which is a natural reaction—is the fall in gold mining, reflecting the greater security felt to be offered by sterling stocks and shares. The state of the market is reflected in the following changes in the indices of the *Financial Times* between March 31 and April 30: Government securities up from 81.53 to 83.43; fixed interest from 88.99 to 90.21; Ordinary shares from 164.5 to 167.1; gold shares down from 75.1 to 73.3.

A Conversion Offer

It is not to be supposed that the investing public rushed in to buy on the Budget. But there was a considerable volume of ordinary business, while the "Departments" have sold substantial amounts of stock, mostly very long-dated, to the institutions, and the clearing banks seem to have soaked up a good deal of short bonds. In these circumstances the Exchequer saw fit on the last Friday in the month to announce terms for the conversion of the £676 million of 4 per cent. Conversion stock falling due on June 15 of this year. Holders were offered the choice of a 4½ per cent. five-year stock at par and a 5½ per cent. sixteen-year stock at the equivalent of 97½. It is supposed that a substantial part of the maturing stock is held "inside." Of the two stocks offered the former is fully attractive, provided that the banks and discount market are prepared to take stock with a full five years to run. The terms of the other issue were such as to correspond to

within a fraction of a penny—on the basis of gross redemption yield—with existing stocks of similar life. This must mean little change in quotations in the market and little hope of large subscriptions from the public. However, stocks of this length of life have only recently come into demand once more. There is little doubt that they will continue to rise in price if all goes well in the field of wage negotiations, and in that event the stock may well be placed more rapidly than were many of its precursors. In fact it begins to look as though, eight months after a time when Government stock was unsaleable except in small parcels, the authorities are in a position to continue fairly large scale sales on a rising market. If so, the risks which the Chancellor has taken are likely to be fully justified. It is, however, necessary to remember that, while the wage position looks more promising than many dared to hope, we are not yet through our troubles, while we have also to face the difficulties arising from the recession in the United States, which has already affected British shipping and shows signs of spreading to industrial production.

Short-term Rates

Meanwhile, in the short-term market those rates which are not tied to the official minimum have been falling under the influence of competition for Treasury bills. It was a feature of the first few weeks of the new financial year, later adjusting itself, that expenditure has been low and revenue high. Some tax payments have been delayed—the lag is held to be an explanation of the marked rise in bank advances in the period to mid-April, if not an excuse for it. Thus, the supply of Treasury bills, although large, had not risen as was expected and the bill rate at the end of April was under 5½ per cent. with Bank Rate at 6 per cent. A further reduction in the latter was confidently expected but no one was prepared to say just when it would come. The fall in the rate for bills coincided with some uncertainty in the market for the pound. Sterling was certainly no longer bumping against the ceiling but it was quite reasonably firm at end-April and figures of both international trade and the gold and dollar reserves had been reasonably encouraging, even when the fullest allowance was made for exceptional factors. The testing time comes in the autumn and there is fortunately some reason to hope that by then we may be in a position very different from that which prevailed in the third quarter of 1957.

Points From Published Accounts

Investments at Market Values

The question why there is felt to be the need to continue to make up balance sheet totals on the basis of a book value of investments that is out of line with the market value is particularly pertinent to investment trusts, almost all of which show book figures for their portfolios a long way below the market value. Most people who are analysing the accounts to assess the merits of the investment trust add on the difference between the book value of the investments and their market value. Further, there is no means of telling how the book figure of the investments of the trust is made up.

The practice of writing up the portfolio has, however, been known to happen occasionally among investment trusts. One of the latest investment trusts to carry through the operation is the *United States Debenture Corporation*. The directors have simply transferred £1.5 million from the "net surplus on the realisation of investments" to capital reserve, and then utilised this capital reserve to increase the share capital. The amount of the "surplus on the realisation of investment" is not given. It is important to note that the rise in the book value of the portfolio, a rise which leaves the value below cost, is in reversal of the process carried through earlier of writing down the portfolio out of accumulated surpluses.

British Match Corporation has eliminated the book figure altogether in its balance sheet. Quoted investments are taken in at their market value of £2.38 million. Looking at the item in the current assets, one is referred to note 9, where the investments are analysed into British Government securities, Dominion Government securities, and other quoted investments—again, all at market values.

Some will raise objections to the showing of only a market valuation: investors in the business then have nothing to show them whether the original money sums put into the investments in question have been maintained, or have appreciated, or have depreciated. Others might argue that it does not really matter: that if the original investment as

a whole goes downhill, then this is bound to show up in the overall assets backing for the share capital. Comparable objections arise over the issue of consolidating accounts, and eliminating separate accounts for the subsidiaries. Certainly it is the group position as a whole that most matters, but a successful group result could still hide a laggard in the list of subsidiaries; sometimes it is essential, before one can make an assessment of the efficiency of a business, to know whether any failures are being carried by the other companies.

Transatlantic Influence

The *Prestige Group* is an American-controlled business, and it is interesting to find traces of transatlantic practice running through the accounts. The most obvious is the transposition of assets to the left-hand side and liabilities to the right-hand side in the balance sheet. There is no outstanding argument for either the form usually followed here, or the American one; it is just a question of tradition and general usage, but there is no denying that the American form is confusing at first sight to many in this country. *Prestige* favours a presentation showing a net assets total, and also shows separately the amount of working capital—the balance after deducting current liabilities from current assets. The method of presentation is gaining ground rapidly on this side of the Atlantic, and there is a lot to be said for it. From a strictly practical point of view it is far more important to know the net assets total than to know the total of assets. The accounts are bright, clearly printed, and provide adequate information without fuss.

Surpluses on Plant Sales as Trading Receipts

Generally speaking, capital profits are to be regarded as non-trading receipts, and the student of published accounts would exclude them from any calculation of net profit or earnings available for distribution on the Ordinary share capital. But circumstances alter cases. *Sir Lindsay Parkinson* is a company which in the last three years has

credited £36,231, £50,486, and £83,892 from the surplus realised on sales of plant.

The background to the item in the accounts of *Sir Lindsay Parkinson* is interesting. The company is a well-known firm of builders and civil engineers, undertaking major contracts all over the world, and for that purpose shipping plant and equipment to sites overseas. Contracts of this kind often last for years, and the depreciation rate on plant in use is obviously high. Thus, on completion of any particular contract it has to be decided whether it is more economical to ship the plant in use to a new site, or to sell it on the spot and save shipping costs. Frequently, disposal is decided on—hence the presence of the item each year in the profit and loss account of the group.

In these particular circumstances, the item arises from the very nature of the business, and from the associated over-depreciation of plant; there seems to be good reason to regard it as trading revenue, since the surplus arises out of the actual trading activities of the company.

"Surplus" or "Profit"?

The 1957 accounts of the *Steetley Company* are a tribute to the printer's skill. Excellently produced, with full colour plates illustrating various aspects of the group's activities, the accounts are also couched in very readable form.

There are several minor points of interest, notably the careful use of the word "profit" in the profit and loss accounts. It has often been said that there is no such thing as a trading profit, because a profit is something which stands clear of all charges, so far as the person to whom it is accruing is concerned (in this instance the body of shareholders). *Steetley* evidently supports this view, for the word "surplus" is substituted for profit at the gross level. Thus, there is a "manufacturing and trading surplus," and a "surplus before charging taxation." After deducting tax, however, the item is termed "profit after charging taxation" and, again, after deducting minority interests, "consolidated profit attributable to parent company." Many people would probably say that the distinction of terminology is so narrow a one that it is hardly worth bothering about. However, attention to details such as this is surely to be commended.

In the balance sheet patents and trade marks are shown "less: depreciation." For such items is not the more common term "written off" more apposite?

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Editorial and Advertisement Offices:

4 DRAPERS' GARDENS, LONDON, E.C.2

NATIONAL 8701-2 and 0087

Subscription and Publishing Offices:

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Publications

Lloyds Bank in the History of English Banking. By R. S. Sayers. Pp. 381. (Oxford University Press: 35s. net.)

THE END OF the first world war saw a rush of banking amalgamations and the emergence of the "Big Five" to dominate the English banking scene. Here in this book is the history of the great number of private banks and the much smaller number of joint stock banks that went to the building of one of these monolithic structures. The establishment of Taylor and Lloyd's banking business in Birmingham in 1765 is the beginning of the story, for that private bank was the nucleus of the bank we know today, taking unto itself in the last years of the nineteenth century and the first of the twentieth its substantial share of the banking business of the whole country; and the Lloyds have always retained their family connection with the bank. But the story has a wider sweep than that, for each constituent bank had its own history, and within the ambit of the modern Lloyds Bank is a good part of English banking history.

It is one of the hardest tasks of authorship to set out in orderly and readable fashion a great mass of variegated facts. Professor Sayers has here done it very well, and only occasionally does his book lead the reader into a tangle of uncohering names and dates. And the book will attract others than purely specialist readers. It is, for one thing, full of people, the hundred and one people who built the bank, for the most part only glimpsed but occasionally drawn with more detail. For another thing, it shows something of the intricate manoeuvring that goes to the amalgamation of two businesses: the pattern has repeated itself time and again in Lloyds' history, and the similarities and the differences between each example and the next have alike their interest. There are chapters on the staff and on the customers—the first branch of the "private" Lloyds, opened at Oldbury in 1864, the year before they became "limited," was established at least in part for their customers (their relations too) Albright and Wilson. And there is a valuable chapter in which the development of the bank's organisation is traced through the years in which the bank grew and grew.

The title of the book is perhaps

higher flying than is entirely justified, for Professor Sayers has here put together the history of Lloyds Bank, not the history of English banking; something more like that was in fact done in the Midland Bank's history. That is to criticise the title, not the contents, for the bank's history was itself very well worth the telling. In compiling it Professor Sayers has provided a valuable source book for the historian of business development, and interest for a lot of other people. His publishers have given his book a dignity that matches its subject, albeit too heavy for comfortable reading.

P.E.S.

A Guide to Management Accounting. By H. W. Broad, A.S.A.A., A.C.W.A., and K. S. Carmichael, A.C.A. Pp. 152 (*H.F.L. (Publishers) Ltd.*: 18s. net.)

THE INTRODUCTION OF management accounting into the examination syllabuses of the Institute of Chartered Accountants in England and Wales and of the Society of Incorporated Accountants was a fillip to those who maintain that the subject is rather more than a mere application of accounting and costing principles. The authors of this book have certainly avoided the snare of producing basically an accountancy or costing textbook, even to the extent of omitting some explanatory information which might well have been included—such as the adaptation and build-up of stores and labour recording media for management information—and of excluding a comprehensive review of forms of annual or periodical trading and financial statements which managements so often demand, for themselves if not for shareholders. Since there is material of this kind that might usefully have found a place in the book, the introduction of statistics, however brief, with explanations of medians and modes, is a little surprising.

The authors, who represent a felicitious union of practical and tutorial ideas, have defined their subject, in the circumstances, with admirable circumscription and perspicacity: "the term 'Managing Accounting' covers all those services by which the accounting department can assist top management and the other departments in the formulation of policy, the control of its execution and the appreciation of its effectiveness."

Budgets are an integral part of the creation of policies and the preparation of flexible, sales, production and capital budgets is described. Financial and production control of policy requires

operating statements for selected time periods and individual figures for elements of cost, frequently for shorter periods. These statements are next discussed, and a number of examples are given of how the information can be represented in chart or graph form. A study of the effectiveness of a policy needs measurement and interpretation of the variances between forecast and actual results: tabulations show how the need is met and how the sources of particular variances can be related to the control information prepared during the period of production.

The last two chapters deal with office organisation and office equipment. The one chapter has some interesting and practical comments on the review of existing procedures, forms and data, and the introduction of new ones. The other chapter is primarily a factual survey of the equipment and includes a brief description of electronic computers.

As becomes a book intended for examination students—but which can also be read very profitably by company executives and qualified accountants—there are frequent illustrations and examples.

The type used is small. It may have been chosen to keep most illustrations on one or two adjoining pages, but that limitation does not apply to the narrative.

The book requires concentration and, at least of the student reading the later chapters, frequent cross-reference to earlier pages. But the authors were faced with the difficult task of reducing a vast and somewhat esoteric subject to one within the understanding and mastery of students required to sit an examination upon it in addition to many other subjects, and the criticisms here made are essentially minor ones that will no doubt be removed as the authors gain the benefit of the experience of readers.

Assuredly, this book gives every indication of ultimately joining the winners from the same stable.

J.D.N.

Unit Stock and Store Control. By H. Dennett. Pp. xi+194. (*Business Publications Ltd.*, 109-119 Waterloo Road, London, S.E.1: 25s. net.)

THE AUTHOR DEALS with the wide subject of stock control in an interesting if slightly unusual way. He emphasises the importance of considering the physical stock itself, rather than the financial aspect or the recording systems associated with control, and uses the term "unit" control to indicate this leaning. As a result the book has a much wider

appeal than would be expected from the title and it will be of as much value, if not more, to management than to those solely concerned with the recording side of stock control.

Chapter eight includes a clear exposition of the principles involved in physical stock control and might with advantage have been placed earlier in the book. The student, at any rate, will benefit by reading the eighth chapter first.

The problems and their solutions associated with the distributive trades are described in some detail. Management, whether in a small single store or a large multiple, will here find much valuable information which appears to be based on actual experience.

The chapter on the requirements of manufacturing organisations will perhaps be of more direct interest to the accountant. There is included a reference to code drafting and the great importance which this subject assumes in mechanical accounting systems.

Mr. Dennett gives some clear descriptions of equipment and machines for use in stock control systems and even a brief reference to electronic computer techniques. These sections will be useful to the small shopkeeper as well as the Organisation and Methods specialists in large organisations.

The text is backed by illustrations of equipment and forms; the forms are particularly clear and informative.

The book is obviously based on practical experience and consequently will be of greater value to those whose businesses depend considerably on the adequate regulation of stocks than to those interested in the theory of stock control.

A.A.M.

Pitman's Commercial Law. By J. A. Slater. Fourteenth edition by John Nevin. Pp. xviii + 284. (*Sir Isaac Pitman & Sons Ltd.*: 12s. 6d. net.)

THIS WELL-KNOWN WORK sets out to be an introduction to commercial law for students with no previous knowledge of the subject. In so far as he is provided with an easily readable narrative, the student will no doubt be well satisfied. But perhaps there is overlooked the purpose of requiring students, who do not intend to become lawyers, to study law. In the reviewer's opinion the primary purpose is to teach students to anticipate legal complications and to think analytically in their professions and occupations. The method used in this book does not serve this end.

It may be objected that this is an

unfair criticism of a work that seeks to be an introduction to a subject—to provide a general view of it and to lead the student to further study of it. But in such a work, it is of the utmost importance that there should be no statements loosely worded, no principles so truncated as to require re-learning when detailed study follows.

In this book there are such lapses. For example, on page 9 it is said that if a seller exposes his goods for sale, and a passer-by takes them up with the consent of the seller, and with the intention of purchasing them, there is a perfectly good contract: what of *Pharmaceutical Society v. Boots* (1953) 1 Q.B. 401? Again, on page 69, it is said that a person who makes a contract on behalf of a company which is not yet incorporated is personally liable on the contract: and what of *Newborne v. Sensolid* (1954) 1 Q.B. 45? On page 35, on the Restrictive Trade Practices Act, 1956, agreements by a buyer not to sell goods at less than a certain "margin of profit" are said to be enforceable by the seller not only against the buyer, but also against anybody who acquired the goods from him: first, Section 25 relates to conditions as to "price"—which is not the same as margin of profit—and second, there is no reference to the essential for enforcement against subsequent buyers, which is that they bought "with notice of the condition."

Any attempt to state legal ideas in simple language calls for scrupulous care to ensure accuracy.

D.A.G.S.

Organisation—The Framework of Management. By E. F. L. Brech. Pp. xiii + 424. (*Longmans Green & Co.*: 45s. net.)

MR. BRECH has already obtained a leading place in the current literature on management by his part in *The Principles and Practice of Management* published a few years ago. To his editing of that book he has now added the authorship of this new volume and made his place doubly secure. The book, an examination of the structural aspect of business administration, begins by discussing the principles on which a sound organisation of the business unit may be created, and then proceeds to show what is involved in translating these principles into practice. As the author says, he does not provide a study of management, of the continuing process of business administration; he gives what in other contexts might be called an institutional study. Just as an account of the structure of the civil service would not be a description of British government at work, so this

book does not deal with the problems that arise in conducting a business, but with the problems of providing the best arrangements for conducting it.

At an early point Mr. Brech insists on the importance of defining responsibilities in the various appointments that are the bricks of which the organisation structure is built. Such definition is not very congenial to the English mind, which tends to shy away from precise statements about personal relationships, but there can be no doubt that the specification of what a position means is essential to good administration. In the second part of the book Mr. Brech sets out a number of schedules for different executive positions, demonstrating the practicability of putting into writing things which are so often allowed to be understood—or misunderstood—in the typical British firm.

Finally, appendices give "an outline history of thought on organisation," a short examination of the Fleck and Herbert reports, and a note on the military use of "line and staff." These parts of the book are likely to be of particular use and interest to students, for whom they seem to have been intended.

This is a comprehensive and well arranged treatise, and it is likely to be a standard work for some time to come. But the reviewer cannot but draw attention to what he regards as a defect—the inordinate length at which Mr. Brech has written. If an estimate of 190,000 words is not very far out, it seems safe to say that this is an excessively thorough treatment of the moderate number of topics covered. Pruning—as, for example, of the thirty schedules of executive responsibility, which can only be illustrative—would have reduced the overloading which the reader's mental digestion must suffer. We look forward to further works from Mr. Brech equally clear, authoritative, and compendious—and less repetitious.

R.A.H.

Standard Batch Control. By John L. Burbidge. Pp. xii + 186. (*Macdonald and Evans*: 35s. net.)

BUDGETARY CONTROL, as a tool for management, loses much of its effectiveness if the "targets" set are not realistically based on the resources available. Furthermore, the desired results will not be achieved unless the managers in charge of production and the accountant work in close harmony to minimise variances.

In this book Mr. Burbidge does much

to clarify the inter-relationship of production control and financial control in industry. Although in his preface he describes "standard batch control" as applying to the engineering assembly industry, the fundamental principles are clearly of much wider application.

The earlier chapters of the book are devoted to analysing the problems confronting the management team in securing effective and economic control of production, and to explaining the underlying theory leading to the system of batch production advocated. There follows a clear explanation on how the principles of "high rate of stock turnover" and "balanced ordering" can assist management and the accountant to secure the highest profitability from the minimum of circulating capital.

However, Mr. Burbidge is not merely advancing a new theoretical approach, for in later chapters he deals with the whole subject of management control in a detailed and practical manner. His claim that the standard batch ensures more effective control, whilst simplifying procedures and reducing paper work, would appear to be justified.

Chapters 5 to 8 and chapter 10 will be of interest to accountants, dealing as they do with practical co-ordination of production control and financial control in such crucial matters as forecasting of cash requirements, purchasing, stores and stock control, costing and allocation of overhead expenses.

The book contains 38 charts and diagrams illustrating the theme.

A most interesting feature, in these days of the credit squeeze, is the practical method suggested for freeing some of the capital tied up in stocks and work-in-progress, for financing future development or for improving the liquid cash position. Mr. Burbidge's book deserves close study on this score alone.

A.S.M.

Costing in the Textile Bleaching, Dyeing and Printing Trade. Published under the auspices of the Textile Finishing Trades Association. Pp. ix+67. (*Sir Isaac Pitman & Sons Ltd.*: 21s. net.)

EARLY IN 1956 the directors of several associations met together to discuss ways and means of introducing a uniform system of costing in the bleaching, dyeing and printing industries. A committee was formed, consisting of the chief cost accountants of the associations. The principles of costing are now set out by the committee in a book which might well be used for reference outside the group of industries for which the work is primarily designed.

By concerns inside those industries—especially concerns not now possessing adequate costing systems—the book should be closely studied. It covers satisfactorily the main problems of cost ascertainment in the industries, such as the allocation of steam costs. It admirably lays down a model basis for dealing with out-of-pocket costs. Provided guidance is sought only on cost ascertainment, the book, with one or two shortcomings, reliably provides it.

The majority of concerns in the industries depend mainly on commission finishing and for this reason the committee recommends a system of historical costs allocated to the products of the period being costed, saying that "against this background it has not been considered advisable to recommend a full system of standard costs." It might have been made more explicit that the method used is one of assessing normal actual costs: for example, under maintenance it is stated that "a representative figure for each cost centre should be obtained by examination of maintenance records for as long a period as possible, in combination with the works engineer's assessment of future trends adjusted to current levels of cost."

On the controversial topic of depreciation, the committee recommends that "depreciation of plant and machinery should be calculated on the basis of its current replacement value," but current replacement value is not tightly enough defined to provide real uniformity. Many of the difficulties of the subject are avoided.

Perhaps the scope of the book would have been more precisely indicated if the title has been "The Ascertainment of Normal Product Costs," for little is said about procedures extending beyond this stage of costing. The methods of presenting costs for the purposes of cost control and of embodying costing data in a management accounting form of profit and loss account are not discussed. Again, there is nothing here on the relationship between historical costs and selling prices and on the selection of the most profitable types of work (although in relation to direct materials the first problem is touched upon—"in preparing costs for price-fixing purposes it is recommended that current replacement prices should be used"). A recent comment on the interpretation of costs in the hosiery industry (*The British Hosiery Industry—A Study in Competition*, published by the Leicester University Press) said: "Many manufacturers draw incorrect conclusions about the comparative profitability of

different products . . . Rates of profit on cost are often taken as the sole and sufficient indicators of the relative contribution that different products would make to total net profit, relative potential outputs per annum being ignored. . . . These errors are probably sufficiently widespread to give reason for thinking that the structure of hosiery prices results in some sections of the industry being permanently more profitable and others less profitable than the average." The situation is probably no different in the bleaching, dyeing and printing industries, and some informed consideration is perhaps needed of how it could be transformed by the more scientific interpretation and utilisation of costing data.

J.A.S.

Overseas Trade Corporations. Explanatory Notes issued by the Board of Inland Revenue. Pp. 36. (*Obtainable gratis from the offices of H.M. Inspectors of Taxes.*)

THE PURPOSE of these notes is said to be to "explain the main features of the law and practice relating to Overseas Trade Corporations." In fact, the notes are quite comprehensive and detailed so far as the law is concerned but there is, of course, as yet very little established practice to explain.

One practical point of interest to companies with non-resident shareholders is that they may make a special arrangement with the Inland Revenue under which those shareholders may be paid dividends without deduction of tax (Paragraphs 28 and 90). This avoids the submission of numerous repayment claims by individual shareholders.

The notes are particularly useful in that they bring together the main provisions contained in the Finance Act, 1957, and the detailed matters dealt with in the Regulations (Statutory Instruments 1958, No. 392).

Most of the notes are very readable paraphrases of the law and regulations. While the comments made and examples given are interesting and helpful, there might with advantage have been more of them. It should, for example, have been explained that the conditions to be satisfied regarding goods exported from the United Kingdom were imposed in order to ensure that the United Kingdom could not be accused of subsidising exports by means of the O.T.C. scheme. There might also have been some reference to the statement made on July 19, 1957, by the Financial Secretary of the Treasury, to the effect that the Board of Inland Revenue are prepared



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One point which becomes apparent on reading the notes is that the introduction of a flat rate profits tax as from April 1, 1958, will result in a most welcome simplification, not only of the profits tax provisions themselves but also of the O.T.C. legislation.

Practitioners will find particularly intriguing the Inland Revenue's insistence, often met with in practice, that the determination of the net U.K. rate of tax is a matter for the company and is of no concern to them (Paragraph 48). Since the amounts of tax to be repaid to many taxpayers depend on the net U.K. rate shown on the dividend warrant counterfoils, this attitude is difficult to understand.

It is no easy task to explain in everyday terms complicated provisions of this nature, interwoven as they are with the main body of tax law and practice, but this booklet reaches the usual high standard of Inland Revenue publications and will be constantly referred to by all concerned with Overseas Trade Corporations. C.D.H.

Textbook of Economic Analysis. By Edward Nevin, M.A., PH.D. Pp. xiv+415. (Macmillan and Co. Ltd.: 18s. net.) THIS BOOK is specifically written for the university entrant taking economics at the Advanced level of the General Certificate of Education, and the first year undergraduate embarking upon a degree course in economics. As the author points out, the book deals with economic analysis rather than applied economics, or what he terms "current problems." At the end of each chapter there are a few references to further reading for the teacher and student reader. The presentation of the subject follows the conventional pattern, with considerable emphasis on value theory.

The author's style is agreeable, although the readability of successive chapters varies. Much of the book would undoubtedly be useful for those who, according to the publishers, "seek an understanding of the principles underlying the essential forces at work in the modern economic world." Nevertheless, the approach to the subject is too theoretical to appeal to the general reader who wishes to learn something about the world in which he lives. This criticism is especially true of the earlier chapters; if there were any doubts on this point, a reading of the chapter on the price mechanism must effectively

dispel them, for much of it is written in what many readers would describe as economist's jargon.

Differences of opinion are inevitable when notes are compared by teachers of a subject with such peculiar and special difficulties as economics presents to first-year students. The statement that "the essential prerequisite for a sound monetary policy is continuing and accurate diagnosis of the current situation . . ." is undoubtedly true, but whether it should be separated by some 120 solid pages from the equally relevant statement that "national income estimates should never be adopted too slavishly, precisely because they are estimates; of necessity they are frequently based upon inadequate or untrustworthy data," is questionable.

There is a tendency on the part of economists to claim too much for their subject and Dr. Nevin, despite occasional caveats and his concession that the economist's value judgments are no better than those made by any other individual leaves the impression that the economists could make a better job of running the country than most governments. The real problem is that any attempt to relate economic analysis to current problems leads at this level to undue simplification of the issues involved.

Such comments apart, it can be stated with confidence that with this book Dr. Nevin will earn the gratitude of many teachers, to say nothing of their students. It undoubtedly fills a gap in first-year reading lists. A.R.I.

The Legal Aspects of Business. By H. R. Light. Fifth edition. Pp. xvii+326. (Sir Isaac Pitman & Sons Ltd.: 16s. net.) FIVE EDITIONS in ten years is clear indication of a book that has met with success and, whatever criticisms must be made, the merits of this introduction to law are plain from the first page. The author's style surmounts the difficulty of making a tersely factual account interesting and holds the reader's attention.

The chapters dealing with contract (10-14), civil procedure (5) and in particular that dealing with interference with business (27), are of a high standard indeed. But those dealing with landlord and tenant (21) and criminal law (3) are unsatisfactory and the chapter on negligence (24) needs serious revision.

The criticisms made in reviews of earlier editions have not been heeded; all the criticisms made in this journal in

respect of the second edition of 1951 still apply. One suspects hasty revision and an examination of the most recent additions fully supports the suspicion. The Homicide Act, 1957, does not confine the death penalty solely to the five heads of capital murder (page 31) and the advice based on Section 3 of the Cheques Act, 1957, may lead the business man into the egregious error of refusing a receipt where one is asked for (page 239).

The failure to revise carefully is most noticeable in the field of tort (where the author is clearly not happy) and leads to serious consequences: the use of *A.G. v. Valle Jones*, [1935] 2 K.B. 209 as a basis of discussion of the action of *per quod servitium amisit* ignores several recent cases, including *I.C.R. v. Hambrook*, [1956] 2 Q.B. 641, in which that case was expressly disapproved (page 301). The treatment of negligence is out-of-date and inadequate, cases of the importance of *Lister v. Romford Ice & Cold Storage Co. Ltd.* [1957] A.C. 553 and *Candler v. Crane Christmas & Co.*, [1951] 2 K.B. 164, to mention but two, being ignored.

These are errors which do not spring from the need for compression. They have clearly multiplied with succeeding editions, and they detract seriously from the merits of the book. They are particularly unfortunate in that the author seems to recognise in his preface to this edition that it is useful chiefly to the student preparing for a professional examination.

While the businessman will find the clear exposition of legal rules very readable, there is no emphasis on the difficulties he will meet, as opposed to the legal framework within which he will operate, and, like the examination student, he too must therefore tend to look elsewhere for complete guidance.

J.C.W.

Williams on Bankruptcy. Seventeenth edition by Muir Hunter, B.A., Barrister-at-Law. Pp. c+1,007. (Stevens & Sons Ltd.: £6 6s. net.)

IT SEEMS ALMOST impertinent to review the latest edition of this standard work on the law and practice in bankruptcy, which has long ago earned the short appellation given in the heading. There are, however, some new features to which attention should be called. The text has been considerably revised and the opportunity taken to omit purely historical matter—for instance, on the doctrine of "relation back", or married women as debtors, though references to

the places in the sixteenth edition where the omitted material may be found are given. The supplement to the sixteenth edition published in 1954 and statutes and cases since then up to July 15, 1957, have been included. There are now eleven instead of fifteen appendices, and the text and appendices now cover 904 pages instead of 928. Some minor changes designed to make it easier to find one's way about within the text have been made. The special position of moneylenders is now summarised, and some other differences of treatment in the interests of brevity will be noticed.

A quick inspection of the table of cases reveals eight seventeenth century and close on one hundred eighteenth century cases in the citations, emphasising the long historical development of this branch of the law since the first Bankrupts Act of 1571. There are also thirteen unreported cases in the list; one more, an especially interesting case, seems to be referred to in the text at page 375. It is the only case known to the editor in which Section 4 of the

Bankruptcy (Amendment) Act, 1926, has been litigated, and it was a decision by the Chief Registrar of Friendly Societies, who has (apart from the procedure by way of case stated) exclusive jurisdiction as an arbitrator over disputes between a trustee in bankruptcy and a savings bank or friendly society of which the bankrupt was a depositor or member. *Beechey v. William Hill* is apparently only to be found in *The Times* newspaper and the *Current Law Yearbook*, and *Re Newton, ex parte Bankrupt v. Aldergate* (or *Alderdale*) *Films* only in *The Times* newspaper. Reporting bankruptcy cases seems to be a somewhat "hit-or-miss" affair. Special thanks are due to the editor for including little-known decisions.

Some amusement can be extracted even from bankruptcy. How many realise that "England" is not defined for the purposes of "departing out of England" and probably means Great Britain minus Scotland, plus territorial waters? And how many know that there is an error in Section 44 (3) of the

official printer's copy of the Act, one of the very rare errors he has made?

The new edition of Williams entirely maintains the high standards of the past and as before will be indispensable to practitioners and others specialising on bankruptcy.

T.W.S.

Books Received

Company Law Through the Cases. A Collection of Leading English and South African cases on Company Law. By Professor H. R. Hahlo, assisted by Professor Ellison Kahn. Pp. xxxii + 440. (*Juta & Co. Ltd., P.O. Box 30, Cape Town: 80s. net.*)

The Reclamation of Derelict Woodland for Agriculture Use. Technical Report No. 1. Produced by the Ministry of Agriculture, Fisheries and Food in collaboration with Wye College, University of London. Pp. 32. (*Department of Agricultural Economics, Wye College. No price given.*)

Legal Notes

Gift to Company of its Own Shares

In Re Castiglione's Will Trusts [1958] 2 W.L.R. 400, a testator left shares in C.E. Ltd. to his son for life and directed that if, as in fact happened, the son died without issue, the trustees were to transfer the shares to C.E. Ltd. It was clear that the shares could not be registered in the name of the company as a company cannot be a member of itself, and the question that Danckwerts, J., had to decide was whether the shares should be transferred to nominees of the company. The Judge said that it was a well-established principle that a company should not buy its own shares, but it was possible for the shares to be held upon trust for a company beneficially. Accordingly the company was entitled to demand a transfer of shares into the names of nominees properly qualified in accordance with the articles of association.

Contract and Tort—

Innocent Misrepresentation

In order to succeed in an action for the rescission of a contract on the ground of innocent misrepresentation a plaintiff must prove three things: (a) that the language relied upon imported or contained a representation of some material fact, (b) that the representation was untrue, (c) that the representation was one of the factors inducing him to enter into the contract.

In *Brown v. Raphael* [1958] 2 W.L.R. 647, B. attended an auction and contracted to buy the absolute reversion to a trust fund. The particulars of sale stated: "Estate duty will be payable on the death of the annuitant who is believed to have no aggregable estate." It was found that the vendor's agent, a solicitor's managing clerk, who had prepared these particulars, honestly believed in the truth of his statement, but in fact the annuitant had an aggregable estate and there were no reasonable grounds for the agent's belief. In these circumstances the question arose whether the purchaser was entitled to rescind the contract.

A number of points were taken by the vendor but the only point of general importance was this. The statement that

the vendor believed the annuitant to have no aggregable estate was true; could the purchaser go further and show that the words used imported more than a mere statement of belief? The Court of Appeal referred to *Smith v. Land and House Property Corporation* [1884] 28 Ch.D. 7, in which Bowen, L.J., said: "It is often fallaciously assumed that a statement of opinion cannot involve the statement of a fact. In a case where the facts are equally well known to both parties, what one of them says to the other is frequently nothing but an expression of opinion. The statement of such opinion is in a sense a statement of fact, about the condition of the man's own mind, but only of an irrelevant fact, for it is of no consequence what the opinion is. But if the facts are not equally known to both sides, then a statement of opinion by the one who knows the facts best involves very often a statement of a material fact, for he impliedly states that he knows facts which justify his opinion." Applying these principles to the circumstances, the Court of Appeal held that in this case the vendor did impliedly state that his belief was based on reasonable grounds; the question whether or not the annuitant had an aggregable estate was of

great importance to the purchaser, and it was a question which the purchaser could not answer of his own knowledge. The vendor on the other hand would have available to him a considerable amount of information, and the purchaser was entitled to assume that the highly reputable firm whose name appeared on the particulars of sale as the vendor's solicitors would have made enquiries and discovered facts which gave them reason to believe in the truth of that statement and to advise the vendor accordingly. The purchaser was therefore entitled to rescission.

Executorship Law and Trusts— Validity of Wills

Interesting questions on the validity of a will were raised in two recent cases before the courts. In *the Estate of Colman deceased* [1958] 1 W.L.R. 457 and *In the Estate of Denning, deceased* [1958] 1 W.L.R. 462. In *Colman's* case a will had been made in May, 1954, at a time when the testator was 19 years old and was an officer on leave from the British Army of the Rhine. Although nine years had by then elapsed from the surrender of Germany, the Army was still in law an army of occupation, and the court held that the testator was "in actual military service" within Section 11 of the Wills Act, 1837, with the result that the will was valid. The Court pointed out that it was concerned only with the position in May, 1954, and not with any changes that had occurred since that date.

In *Denning's* case the will consisted of a single sheet of notepaper; on the front were the date, the words of disposition and the signature of the deceased; on the back appeared in different handwriting the names of two persons who could not be traced. Sachs, J., said that, as had been laid down in an earlier case, the Court was always extremely anxious to give effect to the wishes of persons if satisfied that they really were their testamentary wishes, and that the court would not allow a matter of form to stand in the way if the essential elements of execution had been fulfilled. In his view there was no practical reason why the two names should be on the back of the document unless it was for the purpose of attesting the will, and he found that the document was a duly executed will.

Insolvency—

Bankruptcy Procedure

In *Re Green (a bankrupt)* [1958] 1 W.L.R. 405, the Court of Appeal held that it had jurisdiction to hear in

camera, when the interests of justice required it, an application by a trustee under Section 25 (1) of the Bankruptcy Act, 1914, for the private examination of a person said to have had dealings with the debtor. The Court further decided that it was proper to hear in camera the application then before it.

The main ground which the trustee appears to have advanced for a hearing in camera was that to read in open court the matters on which the trustee relied would be to disclose all his evidence to the proposed witness and would go far to destroy the purpose of the examination which was sought.

Miscellaneous—

Right of Wife to Matrimonial Home

In *Silver v. Silver* [1958] 1 W.L.R. 259, a husband who had parted from his wife claimed that he was entitled to a half share in the freehold house which had been the matrimonial home. The house was in the wife's name and had been bought partly out of the proceeds of sale of an earlier house which had also been in the wife's name and partly on mortgage. The husband was a guarantor under the mortgage and had paid all the instalments. The Court of Appeal said that it was tempting to hold that the matrimonial home should be treated as belonging in equal shares to husband and wife, but Parliament had not provided that this view should be taken in all cases: there was still an equitable presumption that if a husband made a payment for or put property into the name of his wife he intended to make an advancement to her. This presumption was more easily rebuttable in these days than it used to be, but on the evidence available the Court could not interfere with the decision of the county court judge that the presumption had not been rebutted and that accordingly the house belonged solely to the wife.

Miscellaneous—

Proceedings under Married Women's Property Act, 1882

Section 17 of the Married Women's Property Act, 1882, provides a summary form of procedure for the determination of any question between husband and wife as to the title to or possession of property. In *Re Knight's Question* [1958] 2 W.L.R. 685, a husband took out a summons under this Section and asked for delivery up of the title deeds to an estate of which he was the legal owner as trustee for a company. The wife contended that this form of procedure could not be used for two reasons: (a) title deeds were not "property" and (b) the

husband had no beneficial interest in the estate and a mere trustee could not use this useful summary procedure to extract the deeds from her and so get round the inability of a husband to sue his wife in tort. Harman, J., held in favour of the husband that title deeds were "property" and that, although there was no dispute between husband and wife about their ownership, there was a dispute about possession; accordingly the summons was in order and the wife should be directed to hand over the deeds.

Miscellaneous—

Alleged Breach of Contract, Slander and Libel

Judgment was recently given for Price, Waterhouse and Co. in two actions brought against them by Mr. Maurice James Waterhouse, Chartered Accountant, who had formerly been in their employment (*The Times* newspaper, April 19). Mr. Waterhouse alleged that the firm had broken a contract to make him a partner and that one of the partners had libelled him in two letters and had also slandered him. The jury found that there had been no contract and that the alleged slanders were not spoken; they also found that the written words were defamatory but were not malicious: as the occasions on which they had been used were privileged, it followed that there was no actionable libel.

I.M.T.A. DINNER

A feature of the presidential dinner held by the Institute of Municipal Treasurers and Accountants in the House of Commons on April 10 was the toasting, at 8.0 p.m. precisely, of Big Ben, whose centenary at that moment it was. The President of the Institute of Municipal Treasurers and Accountants, Mr. W. O. Atkinson, M.B.E., presided over the dinner, held in the members' dining room. Among those present were Mr. R. McKinnon Wood, O.B.E. (Chairman of the London County Council); Sir Henry Hancock, K.C.B., K.B.E., C.M.G. (Chairman, Board of Inland Revenue); Sir Charles Cunningham, K.B.E., C.B., C.V.O. (Permanent Under-Secretary of State, Home Office); Mr. J. W. Hough, O.B.E. (Vice-President of the Institute of Municipal Treasurers and Accountants); Mr. W. H. Lawson, C.B.E. (President of the Institute of Chartered Accountants in England and Wales) and Sir Richard Yeabsley, C.B.E. (a member of the Council of the Institute of Chartered Accountants in England and Wales).

The Student's Columns

DOUBLE TAXATION RELIEF—II*

Some Illustrations

Illustration (1)

A company resident in the United Kingdom (U.K.) in the year ended January 31, 1958, made a profit of £12,000, of which £8,000 arose in an overseas territory which charged tax at 40 per cent. The company had a gross relevant distribution (G.R.D.) of £5,000 and no franked investment income.

	£
Overseas tax on overseas profits	3,200
U.K. tax on overseas profits:	
Profits tax £12,000 at 30 per cent.	3,600
Net relevant distribution (N.R.D.)	5,000
Non-distribution relief (N.D.R.)	7,000 at 27 per cent. 1,890
	1,710
$\frac{8,000}{12,000} \times £1,710$	1,140
Income tax £8,000 at 8/6	3,400
	4,540

As the U.K. tax applicable to the overseas profits exceeds the overseas tax on these profits, credit is given of £3,200, the whole overseas tax, thus:

	£
Against profits tax, year to 31.3.58	1,140
Against income tax 1959/60	2,060
	3,200

Illustration (2)

Year ended December 31, 1957:	£
U.K. profits (including franked investment income of £5,000)	12,000
Overseas profits	8,000
	£20,000

*The first part of this article appeared in ACCOUNTANCY for April (pages 205-6).

G.R.D.	£ 4,000
Overseas tax on overseas profits	4,800
U.K. tax on overseas profits:	
Profits tax: £15,000 at 30 per cent.	4,500
N.R.D. $\frac{15,000}{20,000} \times £4,000$	3,000
N.D.R.	12,000 at 27 per cent. 3,240
	1,260
$\frac{8,000}{15,000} \times £1,260$	672
Income tax £8,000 at 8/6	3,400
	4,072

Since the U.K. tax is lower, relief is restricted. The amount not allowed as a credit can be deducted in finding the amount of overseas income liable to U.K. tax. Such a deduction would affect the profits tax payable on U.K. income and generally it would increase the profits tax on such income, because a reduction of overseas income increases the proportion of the profits tax applicable to U.K. income. If, however, the deduction brings the profits for profits tax below £12,000, the abatement available may reduce the profits tax payable. A deduction from overseas profits for income tax purposes will not normally affect income tax on other profits.

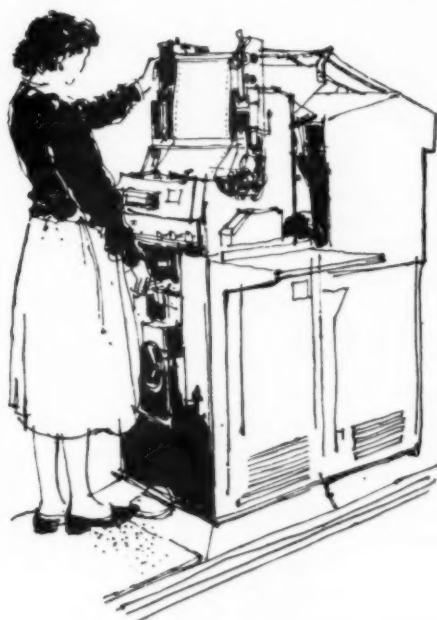
By concession, a company need not claim the deduction of non-relieved overseas tax. In those cases where it is advantageous, the Inspector of Taxes is empowered to make an approximate calculation.

In Illustration 2, therefore, no unrelieved tax would be deducted and the tax borne would be computed thus:

Profits tax on U.K. income	£
7,000	
$\frac{7,000}{15,000} \times £1,260$	588
Income tax £12,000 at 8/6	5,100
	£5,688

No U.K. tax will be charged on the overseas income.
(To be concluded)

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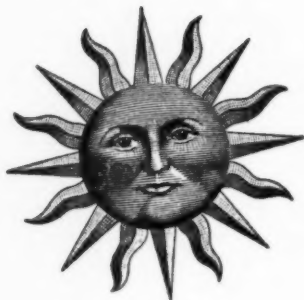
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MANAGEMENT ACCOUNTING—II*

Control Reports

The preparation of the plans or budgets is but the first stage. The second is to ensure that employees comply with the budgets set. The accountant will be responsible for organising the accounting services of the business in such manner that management can see at a glance that the business is operating according to the agreed budgets.

In supplying information to management the essential factor is speed. An event cannot be recorded until after it has happened, but if somebody is to do something as a result he must be informed of the event. Until he is informed, he will do nothing. For example, if one wishes to stop the cashier drawing a cheque today in favour of an employee who has left, one must tell the cashier today—not tomorrow.

It follows from the need for speed that, in many instances, figures supplied to management may not be accurate to the nearest penny or the nearest pound. In determining the degree of accuracy required, the management accountant should ask himself the question "Will the same decision be made on the basis of the figures I am submitting, which are admittedly accurate only to a degree, as would be made if I provided figures accurate to the nearest penny or even fraction of a penny?" If the answer is "Yes" (and it may be necessary to consult the recipient of the information before answering), the figures may be submitted. A further point is the time interval between the occurrence of the event and the time at which information of a high degree of accuracy will be available upon it. To provide such information may mean that the report will be rendered to management after the time at which effective action could be taken. This emphasis may seem incorrect to the reader brought up to regard the balance sheet at the year-end as all important: to believe that it does not matter how long it takes to prepare the

balance sheet so long as it is accurate in the last degree. But if the young accountant is going to be useful in preparing control reports he cannot afford that mentality.

The control reports required, the information contained in them and the frequency with which they are submitted will all depend on the requirements of management. If the actual results achieved in the period are all recorded the statement submitted to management may well be a mass of figures. Such statements will prove unpopular, for the managers will have to study carefully the figures and then draw their own conclusions. Instead, the important facts disclosed in such statements should stand out. To achieve such a layout, it is usual to emphasise in the statements the variations from the budget. Management will then base its decisions on these variations or exceptions: there will be "management by exception." For example, the budget for department "G" in the works for week 20 shows that 68 jobs should have been finished. Instead of the jobs finished being listed, the jobs not finished should be scheduled on an arrears list. Those are the jobs to which the attention of management should be drawn. The list can be rapidly compiled on Friday afternoon and handed to the works management at the commencement of work on Monday morning. Steps can be taken to clear the arrears at the earliest opportunity.

A further example of a control report is the labour utilisation report. This may be prepared daily or weekly (any longer period is normally useless for control purposes). For each department the budgeted working hours and the actual productive hours will be shown. The variation between these two figures will be explained by causes. Part of a specimen report is given below.

Every person who has a budget will receive a control report showing him the variations of actual figures from the budget. As his superior will receive a copy of that control report, managerial action is facilitated. But reports of the type described above are useful only in the

Weekly Labour Utilisation Report								
Week ended								
Unit of Measurement: Hours								
Department	Budgeted working Hours	Overtime	Nominal working hours	Workers' controllable variance		Management controllable variance	Uncontrollable variances	Productive time
				Time keeping	Excess setting-up time	Material Shortage	Power cuts	
6	46,000	2,000	48,000	1,200	3,900	2,100	—	40,800
7	26,080	—	26,080	400	180	—	—	25,500

*The first part of this article appeared in ACCOUNTANCY for April, 1958 (pages 204-5).

short-term. They will be useful today to make a decision; after that they will be useless: the position the report showed will have ceased to exist.

Summarisation

The great disadvantage arising from these reports is the lack of information about the trend and overall position of the business. Furthermore, it is impossible to ascertain clearly what variations from present budgets must be made in future budgets to allow for factors not previously recognised. To overcome these disadvantages the management accountant should arrange for the figures shown in the control reports to be summarised by causes. The summaries should aim at providing management with a picture of the original cause and full extent of the variation between the actual and budgeted results. For example, the figures shown in the weekly labour utilisation

reports might be aggregated into quarterly reports. If the quarterly reports showed heavy losses, in time, due to shortages of material, attention would have been drawn to the material supply position.

In the two examples of control reports here given, it will be noticed that no mention has been made of money. The recipients of such reports require for managerial purposes the information in physical quantities, not in money terms. From the point of view of speed, also, non-conversion into money saves time. At the summarising, or third stage, the conversion of physical facts into monetary terms must be made. Only in this way can the Board of directors and higher levels of management appreciate the effect of the variations from budget on the budgeted net profit. From their appreciation of the summary reports, they will be able to decide the policy and budgets for a future period.

Notices

Dr. Arnold C. Harberger, Associate Professor of Economics in the University of Chicago, will give a special university lecture on **Technical Advance and Economic Progress** at the London School of Economics, Houghton Street, London, W.C.2, on May 22, at 5.0 p.m. Admission is free, without ticket.

A new insurance company, the **Permanent Sickness Insurance Company**, has been formed by the Medical Sickness Annuity and Life Assurance Society Ltd. The parent office has for over 70 years issued non-cancellable policies to the medical and dental professions insuring against loss of income during sickness. The new company will issue such policies to healthy persons outside those two professions—primarily to professional men. Accountants are included in the class qualifying for the lowest rates of premiums. The benefit begins after an agreed period of deferment (4 weeks, 13 weeks or 26 weeks) and continues at agreed weekly sums (which can range up to large figures). The policy cannot be cancelled by the company however bad the claims experienced. The address of the new company is 3 Cavendish Square, London, S.W.1.

British Univac File computer courses are announced by Remington Rand Ltd., Commonwealth House, 1-19 New Oxford Street, London, W.C.1. For those who have already attended a course on electronic computers, the course will last for ten days (Monday to Friday in two successive weeks). Courses of this type start on June 9, June 30, September 8, and December 1. A three-week course, including five days of introduction to computer techniques, will

start on October 6 and November 3. No knowledge of binary arithmetic or advanced mathematics is required. The charge is £5 5s. per teaching day, and special terms are available for residence in the Selsdon Park Hotel, Sanderstead, where the courses are held.

The **Flexomatic electric linefinder**, installed with the Alacra pinwheel platen on an electric typewriter, provides automatic selection of all writing lines on continuous forms. The spacing is infinitely variable for forms up to 17 inches deep. The equipment is supplied by W. H. Smith (Alacra) Ltd.

A correspondence course on **Programming for Business Computers** is now available in this country, by arrangement between Computer Courses, 119 Oxford Street, London, W.1, and Business Electronics Inc., San Francisco, U.S.A. The American company was formed by a group of business men engaged in computer programming: it gives a university course, from which in 1955 it devised the correspondence course. Descriptions are given of available American and British computers, but the teaching, being based on a theoretical computer, is general.

A course in **Office Administration** is announced by Management Training (P.E.) Ltd., 12 Grosvenor Place, London, S.W.1. The course lasts for two weeks, starting on June 9 or October 27. The number attending each course is limited to 15. Lecturers will cover practical aspects of office organisation and methods, forms, equipment and machinery, computers, incentives and staff management. The fee is 60 guineas. The course is not residential, but hotel accommodation can be arranged.

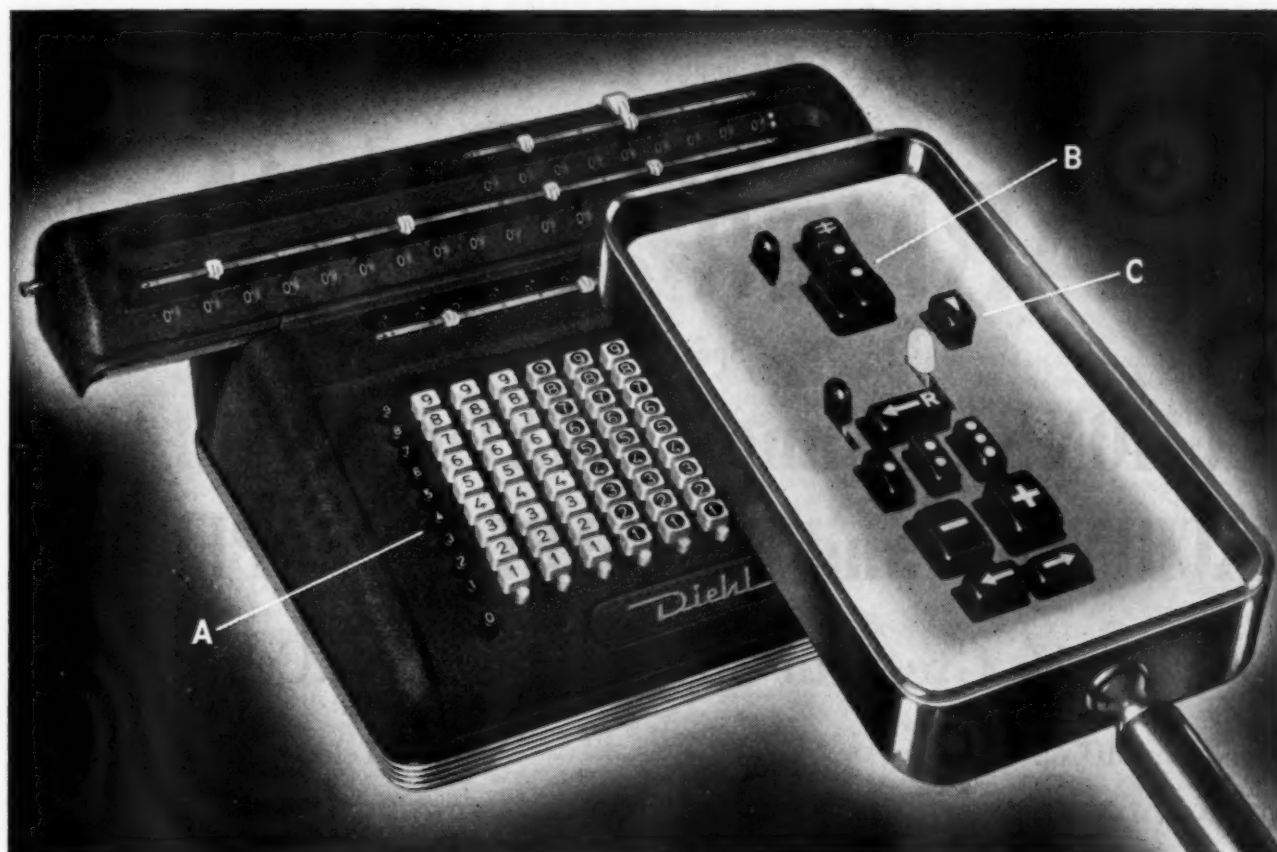
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Any subscriber to ACCOUNTANCY changing the address to which he wishes his copies of the journal to be sent is asked to notify us at our offices at 23 Essex Street, London, W.C.2.

Members of the Institute of Chartered Accountants in England and Wales are particularly requested to note that changes of address reported to the offices of the Institute at Moorgate Place for the records of the Institute are not passed to the ACCOUNTANCY offices. The address of a member on the records of the Institute does not necessarily correspond with the address to which the member requires the journal to be sent, and a member may or may not be a subscriber to the journal. Thus it is necessary for ACCOUNTANCY to be separately notified if there is a change in the address for the posting of the journal.



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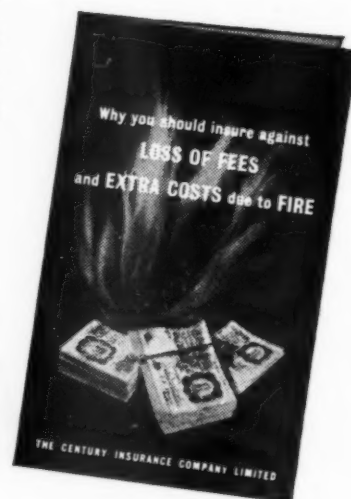
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The Institute of Chartered Accountants in England and Wales

Annual Meeting

THE ANNUAL MEETING of the Institute of Chartered Accountants in England and Wales was held at the Hall of the Institute, London, E.C.2, on May 7.

The President, Mr. W. H. Lawson, presided. He said:

Ladies and Gentlemen,

May I take it that as usual you will take the notice convening the meeting and the auditors' report as read? (*Agreed.*)

Before proceeding I will introduce those whom I have with me on the platform:

On my left there is Mr. Barrows, the Vice-President. Next to him there is Mr. Garton Ash, past-President, then Mr. Blakey, past-President, Mr. Carrington, past-President, Mr. Wilkinson, Assistant Secretary, and Mr. Allen, Assistant Secretary. On my right you see the Secretary, Mr. MacIver, Sir Harold Howitt, Sir Thomas Robson, Mr. House and Mr. Dicker, all past-Presidents, Mr. Loveday, Assistant Secretary, and Mr. Craig, Assistant Secretary.

The President then proposed the adoption of the report and accounts, and delivered the address printed on pages 223-6 of this issue.

Mr. W. J. Barrows, F.C.A., Vice-President: Mr. President, ladies and gentlemen, I beg to second the resolution.

The President: Before putting the resolution to the meeting I invite any member who wishes to do so to ask any questions.

Mr. R. E. M. Kirkman: Mr. President, members of the Council, ladies and gentlemen, I would like if I may, with your permission, Mr. President, to make a brief comment on paragraphs 5, 6 and 7 of the annual report for the year 1957. May I say as a former member of the Society of Incorporated Accountants what a pleasure it is to be here today and to thank you for the courtesy of your welcome to the Institute which we have received. I should now like to turn to page 11 of the report. Few of us, I believe, have appreciated the planning and devoted work of the secretarial staff in completing the initial documentation involved in the admission of over 9,000 new members to the Institute in the space of a few weeks. As one who has been at the receiving end, may I pay a most sincere tribute to the speed and efficiency which has made this difficult operation almost taken for granted? (*Hear, hear.*)

Unfortunately, the work of the staff is not yet complete as they have now to verify all the admissions to membership which have been made at such speed. Their task is, of course, made infinitely more complex by the division of new members into so many different cate-

gories. Speaking from the viewpoint of those members who, if I may borrow from the vernacular, have been "integrated on the wrong side of the blanket," I must hasten to assure the secretary that the division into chartered and incorporated members was not of our choosing and is a luxury we would readily forgo. Perhaps he may have gathered that already. (*Laughter.*)

The segregation of the membership is leading to other minor difficulties already; a recent instance arose where a circular intended to refer to members in general had used the expression "chartered accountants" instead of "chartered and incorporated accountants," as a result of which an unfortunate misunderstanding arose. More fundamental problems will no doubt arise in future. In the light of such practical difficulties together with the profound conviction of a significant body of opinion in all sections of the Institute that the separation of our members into two unequal classes is wrong, it is our sincere hope that the Council, despite its preoccupation with other urgent and pressing matters, will find time to give further consideration to this matter which presses so heavily upon the incorporated members.

If I may close on a happier note I should like to say that we look forward to co-operating during the coming year in the work of the Institute and in particular the work of the district societies, and to thank the secretaries of those bodies for their trouble in bringing their arrangements to the notice of new members. (*Applause.*)

Mr. S. Ward: I wish to refer to paragraphs 17 and 18 of the report under the heading of "Non-Practising Members Consultative Committee." In view of the growing importance attached to accountancy in industry and commerce and the necessity for fully preserving the position of members of the Institute in that realm, may I ask this committee—that is, the Non-Practising Members Consultative Committee—to consider actively the question of the training of future accountants not in practice, and in that connection to consider the possibility of a direct personal link between new trainees and members not in practice but in industry or commerce. Sir, I feel that your Institute must be already fully aware of this problem and you would therefore welcome the attention of this committee to this aspect of the future, and it is to the future that I emphasise we must look.

Mr. A. V. Hussey: Mr. President, as a "new boy" I hope I have performed my first duty, namely to read and digest the report and accounts of the Institute for 1957. Having done so, of course, I have now got myself in arrears with my reading of *The Accountant*, *Taxation*, *Accountancy*, *The City Press*, the national Press and what have you. However,

I must confess that I think it has all been well worthwhile, because the report shows us very clearly indeed the extent to which the thanks and the gratitude of the members are due to you, Mr. President, to your colleagues on the Council, to the secretariat, and to such others as have been responsible for the fantastic amount of work which has been performed in the year under review. (*Hear, hear.*)

I mentioned that I make my observations as a new boy, but if you look at the colour of the hair upon my head you will not be surprised to learn that in certain respects I feel anything but a new boy. In my forty years in the profession of accountancy, many of which have been spent working for chartered accountants and many working for myself as a practising incorporated accountant, I have, of course, over that long period of time learned one or two things, and I do realise the full extent to which you have been very much preoccupied, and I like to think of the Churchillian phrase "Please keep your eye on the ball." During that fairly lengthy period there are one or two things which have gone awry, to which perhaps in due course it will be possible for the Institute and the profession to give careful attention, and perhaps a definite result can come about.

May I very briefly refer to one matter. That is that during my period in the profession I have seen—as a result, perhaps, of lack of co-operation—the profession lose almost in its entirety, that very lucrative type of work known as executorship. It has been lost, as we know, mainly to the banks, who, through the medium of advertising, have been able and have succeeded in getting the public to go to them. I suggest that there should have been an effort at collective advertising by the profession on behalf of its members and then, perhaps, it might have been possible to preserve that work for the practitioner.

Now the practitioner in the profession, particularly today, is not the be-all and end-all of accountancy when so many of our members are not in practice; so now, with my tongue in my cheek, I want to make this observation. I make it with my tongue in my cheek because I have sitting on my immediate left and on my immediate right representatives of many millions of pounds of capital, which makes me, as a practitioner in the City, extremely humble fry. I want briefly to refer to the training of accountants and articled clerks. What happens now? He does not pay a premium; he expects a salary; he expects luncheon vouchers; he expects adequate time for study; in fact, to sum up, to have him on your staff is practically the same thing as having a non-articled member. What do you get for your trouble? The gentlemen represented on my left and my right from big business have just sat by watching and waiting, and when the young man has completed and successfully come through his period of articles and passed his examination, they put their finger in and pull out the plum, having done nothing whatever towards that effort made. I trust my friends—I have still some friends, I think, here (*laughter*)—will not take that amiss.

I throw that out, Mr. President, and perhaps

it will give the Council food for thought for the future. Now I think I have said quite enough. May I please, in taking my seat, pledge to you, Mr. President, and the Council the same loyal support that I have been very proud and privileged to give to the Society of Incorporated Accountants, of which I was so proud to be a member. (Applause.)

The President: Are there any more questions? Well, if there are no more questions, I will try to deal with those we have had. I would like to thank Mr. Kirkman for the extremely nice and generous way in which he put forward his remarks. We are, of course, well aware of the problem of having this double class of membership, but there are, as he knows as well as we do, considerable difficulties in the way of altering that position, and while I sympathise with what he says, it would be wrong of me to offer any hope that the position is likely to be changed in the near future.

Mr. Ward has put forward a suggestion with regard to a matter, a very important matter, which should be considered by our newly-formed Non-Practising Members Consultative Committee, and I will certainly see that his remarks are brought to the attention of that committee. It has been set up for the express purpose of enabling non-practising members to put forward points in which they are interested, and through this committee we, as a Council, can have a wider expression of view from non-practising members.

I am also grateful to Mr. Hussey for the very nice way in which he put his comments. On the question of advertising, that matter has been on the agenda of meetings which we have annually with district society presidents quite a number of times, and I can assure him that there are quite a few problems before one gets very far down that road. But it has been considered and no doubt it will be on the agenda again.

On the question of training, whilst I agree to a certain extent with what Mr. Hussey said, there are two sides to this question of training. We train staff for our own practising members and we also train for industry, and we are glad to do it.

Now, if I may, I will put the resolution, which has been proposed and seconded, to the meeting. Those in favour? Against? Carried unanimously.

I now have pleasure in moving a resolution confirming the appointment of six members of the Council to fill vacancies arising since the last annual meeting. Their names appear in paragraph 12 of the report, but I will repeat them: Mr. George Thomas Everard Chamberlain, F.C.A., Leicester; Mr. Stanley Dixon, M.A., A.C.A., Birmingham; Mr. John Godfrey, M.A., F.C.A., London; Mr. John Eric Talbot, F.C.A., London; Mr. Victor Walton, F.C.A., Leeds; Mr. John Colin Montgomery Williams, F.C.A., Swansea. I move that and ask the Vice-President to second.

Mr. W. L. Barrows: Mr. President, I second the motion.

The President: Those in favour? Against? Carried unanimously.

I now ask Mr. Hughes to be good enough to propose the next resolution, that is, the re-election of eleven members of the Council whose names are set out in Paragraphs 14 and 15. I will read them: Mr. Harold Garton Ash, Mr. William Gordon Campbell, Mr. William Speight Carrington, Mr. Claude Croxton-Smith, Mr. Arthur Seymour Hamilton Dicker, Mr. Philip Vaughan Roberts, Mr. Charles Maxwell Strachan, Mr. George Lawrence Capel Touche, Mr. Alexander Dalrymple

Walker, Mr. Charles Percy Barrowcliff, Mr. William Bertram Nelson.

Mr. C. J. G. Hughes: Mr. President, thank you for doing my job for me. I have very much pleasure in proposing that the names read out by you be re-elected members of the Council.

The President: Thank you, Mr. Hughes. Would Mr. Judd second that?

Mr. G. B. Judd: Mr. President, I am pleased to second that resolution.

The President: Those in favour? Against? Carried unanimously.

Appointment of auditors. Will somebody propose that?

Mr. F. Downing: Mr. President, members of Council and gentlemen, I have much pleasure in moving: "That Mr. Geoffrey Bostock, F.C.A., and Mr. L. W. Bingham, F.C.A., be reappointed auditors for the ensuing year at a remuneration of 300 guineas each."

Mr. J. W. Burnell: Mr. President, I have pleasure in seconding that motion.

The President: Those in favour? Against? Carried unanimously.

Special Meeting

The President continued:

That concludes the proceedings of the annual meeting and we now become a special meeting for the purpose of considering a resolution for the adoption of new bye-laws 42 and 44 in connection with subscriptions. I assume that you will again wish to take as read the notice convening the meeting.

The annual report of the Council explains in paragraphs 160 to 165 the reasons why the Council has found it necessary to ask members to approve a substantial increase in rates of subscription as from January 1, 1959, and the principles which have been used in determining the proposed new rates. I will amplify these comments briefly under three headings:

- (a) the need for an increase in the Institute's income from members;
- (b) the timing of that increase;
- (c) the principles used in determining the proposed rates.

The Need for Increased Subscriptions

The value of money has steadily declined since subscription rates were last increased as from January 1, 1950, and this is the fundamental cause of the present situation. I imagine there can be no one in this room who does not fully appreciate that subscriptions fixed in monetary terms in 1949 are inevitably in need of revision today. If the value of money had remained stable our income from members during the year 1957 would, on the basis of the index of retail prices, have been worth in present money terms £145,000 instead of £100,000, and our prospective income from members for 1958, at present subscription rates, would have been worth £203,000 instead of £140,000. The difference of £63,000 for 1958 is the gap which has to be filled if the finances of the Institute are to be placed on a sound basis to enable it to meet the requirements of

members and to fulfil its responsibilities to the profession and the public generally.

Our accumulated fund at December 31, 1957, amounted to £167,000 but of this only £66,000 was in liquid form, the balance representing our Hall and offices at Moorgate Place and office equipment. Subject to any profit we may make on realisation of our investments, the liquid balance of £66,000 will be almost exhausted by the end of 1958 by the estimated deficit of £65,000 on income and expenditure account for that year, including the special expenditure on the members' handbook to which I have referred at the ordinary general meeting.

When the Hall of the Society of Incorporated Accountants has been sold, the liquid funds of the Institute should benefit to the extent of the excess of the sale price over the costs of liquidation and other outgoings referred to in paragraphs 157 and 158 of the annual report. It is, however, essential for the now enlarged Institute to have correspondingly large resources. The Council does not think it would be right to rely upon the Society's assets to replenish the reduction in the Institute's accumulated fund, even though the reduction has been caused in part by the costs of the scheme of integration and the expenditure which is necessary to provide documents and information to the large numbers admitted to our membership under the scheme.

We should aim at retaining as an accumulated fund of the enlarged Institute an amount at least as great as the total of the funds of the two separate bodies. This means that we must budget for surpluses over the next two or three years to reinstate the amounts expended out of the Institute's accumulated fund in 1957 and 1958. Moreover, as members already know, we must take the earliest opportunity to provide a new headquarters building for the enlarged Institute. Whatever means may be used to finance it, the new building, when we are able to proceed, will inevitably involve a large increase in our annual expenditure. It could be said, with justification, that we have been living for a long time on the generosity of our forefathers who built and bequeathed to this generation the present Institute premises at Moorgate Place.

It is for these two main reasons—the need to make good the deficits of 1957 and 1958 and the need to provide a larger income to meet inevitable increases in expenditure when we have our new premises—that we have budgeted in the proposals which are before you for surpluses of the order of £40,000 for 1959 and possibly somewhat larger amounts in later years.

You will naturally ask whether we cannot effect economies in our administration. We will of course do whatever we can and a watchful eye will be kept on our expenditure. It would, however, be wrong of me to hold out hopes of significant reductions in expenditure if the Institute's affairs are to be conducted fruitfully and in a worthy manner. As explained in paragraph 162 of the report, the Institute has for some years

been seriously under-staffed, and our duty is to see that the work of the Institute does not continue to suffer from this cause and that the staff are able to work under reasonable conditions as regards both working hours and accommodation.

The Timing of the Increase

The fall in the purchasing power of the Institute's income has made an increase in members' subscriptions inevitable. The Council has had to consider carefully whether the increase could be delayed for another year, by which time we should be able to assess with greater accuracy the long-term financial effects of the scheme of integration and we might also have some positive proposal to put before you with regard to new headquarters. I have already indicated, however, that the Institute's financial position will have become very serious by the end of 1958 if steps are not taken now to assure a suitable surplus in 1959. We have therefore felt compelled to decide that the inevitable should be faced now. I feel confident that members generally will support that view.

It may be that some members will ask why the Council did not bring proposals to members last year or the year before, so that the purchasing power of our income could have been restored before the position became urgent. We have of course been conscious that our annual surpluses have been dwindling. No one who has examined our annual accounts over the past few years could fail to recognise that subscriptions would sooner or later have to be revised. You will however realise that for the past two or three years all our plans were subject to the uncertainty of the scheme of integration—first the uncertainty of being able to announce a scheme at all and then, after December, 1956, the uncertainty of its safe passage through the many necessary stages before it became effective in November, 1957. This state of uncertainty has inevitably had an important bearing on all our activities for a considerable period. Now that integration is an accomplished fact, we can and should proceed with our financial arrangements without delay.

The Principles Used in Determining the Proposed Rates

The principles on which the Council has determined the proposed new rates of subscription may be summarised as follows:

- (1) The proportionate gap between the subscription rates of fellows and those of associates should be narrowed. Many practising members do not take up their fellowship when they are entitled to do so, with the result that part of the membership is providing a disproportionately large part of the Institute's income. The services provided by the Institute to fellows and associates are the same, and the wide gap which has existed historically between the rates for fellows and those for associates does not seem to be justified. We therefore propose that

the subscription rates of fellows and those of associates should be increased by the same amounts rather than by the same percentage.

- (2) We are not proposing at present any material change in the relative contributions made by practising and non-practising members.
- (3) We have refrained from proposing any increase in the admission fee of £10 10s., which has remained unchanged since the Institute was formed in 1880. This will give the newly-qualified members some concession without introducing any difference in the rates of annual subscriptions.
- (4) We are proposing an increase of only one guinea for fellows and associates not resident in England and Wales and no increase at all for any of the incorporated accountant members. There are special considerations which need to be taken into account for these members, of which perhaps the most important is that most of them are members of other accountancy bodies which bear more directly on their activities than does our Institute. In this country most of the incorporated accountant members are also members of the Institute of Municipal Treasurers and Accountants (local government being their special sphere of activity), while in many overseas countries it is either necessary or desirable to become a member of the appropriate overseas accountancy body.

I now formally move, and I ask the Vice-President to second, the resolution set out in the notice convening this special meeting. The resolution is for the adoption of new bye-laws 42 and 44 and I take it you will not wish me to read the full terms of the resolution.

Mr. W. L. Barrows: Mr. President, I have much pleasure in seconding the resolution.

The President: Before putting the resolution to the meeting, I will invite questions. Will you again please be good enough to give your names?

Mr. A. Marks: Mr. President, I do wish to congratulate you on your statement in which you have set out the proposals, but I rise on this occasion to protest against the proposed increase in the fees as suggested by the Council in the resolution before us this afternoon. I feel that the increase is far in excess of what is necessary, and in view of prevailing conditions I must strenuously oppose the proposal which, after all, is a measure of inflation. Nevertheless I do, of course, realise that there might have been justification for an increase in the subscription, at this juncture, but I consider that the proposal for the increase warrants a little thought on some of the facts as stated in the first report of the Council on Prices, Productivity and Incomes, and, in particular, on inflation, where the report of the Council states: "We conclude that alike on internal and external grounds our objective should be to stop inflation, not merely moderate its course." These words appear in *The Accountant* dated March 1, 1958.

Perhaps it might be useful to consider the deficiency as reflected in the income and

expenditure account for the year ended December 31, 1957, of approximately £19,000. We find that repairs expenditure, written off furniture and equipment, pension scheme initial expenditure, printing and stationery, travelling expenses, grants to district societies, show a combined total increase of £14,800 as compared with the year ended December 31, 1956, with income from investments and sale of publications falling by £4,100 as compared with the previous year, thus the combined effect of the figures I have indicated amount to approximately £19,000, the deficiency as indicated by the accounts.

Now, Mr. President, I contend that some of the figures indicated above are of a non-recurring nature—for example, printing and stationery, pension scheme initial expenditure—whilst it is considered—of course, this is my view—that in future some limitation of expenditure in respect of travelling and grants to district societies must be made. With regard to the investments, would the Council consider converting some of the fixed interest securities and part of the deposits into industrial holdings in the hope of increasing the investment yield?

It is felt that consideration must be given to the extent of the increase in the annual subscription. The increase falls harder on associates than on fellows of the Institute and let it be stated that some of us will find that the increase of four or five guineas will be a hardship, particularly on some of the younger practitioners. It can be usefully pointed out that the annual subscription for associates in practice outside the Metropolis will have increased eight-fold since 1948 and five-fold for their brother associates practising within the Metropolis.

Now there has recently been published a book by Professor Parkinson, of which no doubt many of you have knowledge. He called it *Parkinson's Law*, which seeks to prove that administration costs rise in inverse ratio to the number of personnel involved, and goes further to enunciate that the number of officials will increase whether the volume of work to be done increases, diminishes or disappears. To conclude, I feel that it would be as well to quote the Council on Prices, Productivity and Incomes, and the "Three Wise Men" on the cause of the rise in prices. In their summing up they state: "The habit of demanding large and frequent increases in monetary rewards grows by what it feeds on and may be found to persist after any technical justification for it."

In conclusion, if the Council wish inflation to be halted, perhaps they could see fit to amend or withdraw the resolution which they wish to be passed to amend bye-law 42; if not, I can only hope that the other members will in principle oppose the resolution, if only to give a lead against inflation. (Applause.)

Mr. C. J. G. Hughes: I have listened with interest to the last speaker, but I believe that the gentlemen on the platform in front of us, who are all eminent accountants, are fully aware of what we have been listening to. I am prepared to say that the Council are reluctant to increase the fees until they must do so. We as a body of accountants cannot see our own Institute run into bankruptcy through years of deficiencies, nor do we like to see the reserves being diminished.

There is one thing I would like to comment upon and it is this—some five years or more ago now the Institute passed a somewhat innocuous resolution to the effect that there was justification for members increasing their fees. As a practising member who is very conscious of the continual increase in expenses

and the much slower catching up in ratio of increase in fees, I would like to see the Council giving attention to giving us something back for the increase in fees for which they are now asking by making some further public statement of the question of the increase of fees of practising members. I believe a public statement like that does help and I think our practising members are entitled to that help at least in return for our agreeing to an increase in fees.

Mr. John Ford: Mr. President, ladies and gentlemen, I would like to agree most heartily with what Mr. Marks said—in fact, he has made several of the points I would like to have made myself. None of us would attempt to undervalue the tremendous benefits we get from the privilege of being members of this Institute, but I am sure many of us are surprised and disturbed by the resolution, calling as it does for an increase of between half and two-thirds in subscriptions, notwithstanding the increase of the members by almost 50 per cent. as the result of integration. But for the exceptional items, there would have been a deficit of only £4,000 in 1957, and I think one might have anticipated that this would be more than made up without increasing subscriptions by another 50 per cent. with more members paying.

You will appreciate, looking at the accounts just adopted, that the salaries of the Institute staff total £51,000, which includes, perhaps £4,000 for Society staff transferred, leaving £47,000, which compares with only £24,000 in 1950. That is an increase of nearly 100 per cent., and as the report itself does suggest, members have only increased by 45 per cent. in that time. I suggest that figure, notwithstanding the increase in the strength of the Institute, does belie the Council's statement that the Institute has been seriously understaffed. Now we are told that appointments have been offered to the entire staff of the Society. I sympathise with those people—I am sure we all do—but I feel that the Institute's first duty must be to its members, and this decision to take on the whole of the Society's staff is less than fair to members. Surely the proper course would be for adequate compensation for loss of employment to be given to the majority of those people when the formalities of integration are complete. If that suggestion is adopted, then I suggest we may be able to manage without this new building. Most members consider that the prestige of our Institute depends on the personal qualities and integrity of its members and not on the size of its headquarters building. I should not think that 5 per cent. of the members of the Institute enter that building from one year's end to the next. As our President has already mentioned, a new building will bring with it inevitably an increase in establishment costs.

One last point concerning the Members' Handbook. I suggest, gentlemen, that this is a non-recurring charge and I suggest that the proper way to finance it would be from the accumulated funds of the Institute. Also I suggest, so far as new members are concerned, if it is going to be a costly job, the admission fee to members should be increased to cover the item of this new publication. I agree entirely with what Mr. Marks said about the Council sponsoring an inflationary resolution and I ask for your support in voting against the proposal. (Applause.)

The President: Thank you, sir.

Mr. N. A. Lamb: I do not understand why incorporated accountant members should not pay subscriptions on the same scale as associates of the Institute. After all, they have been

given the benefits of membership, even though this may have been done without much enthusiasm. I do not think the possibility of incorporated members having other subscriptions to pay has any bearing on the amount to be paid to the Institute, and I feel that the lower fees are a further act of segregation in a peculiar form against the incorporated members. I might add I am an incorporated accountant myself. (Applause.)

Mr. L. W. South: I am an ex-Society member and I must confess that I was a little surprised to see that this proposal to increase subscriptions was made so soon after I had been, shall I say, invited to become a chartered accountant at the reigning subscription. It strikes me a little odd that immediately after that this proposal to increase subscriptions should be made.

The only other point I want to make or ask about is this. I see in the body of your comments that you mentioned that the Incorporated Accountants' Hall is to be sold. I have been in that place very many times, and unlike some of you who have never been into the building of the Institute, I have been in both. I think it is a great pity that we have to dispose of that hall and that we cannot make it into a club for members. I think it would be an admirable place for such a purpose. Many chartered accountants come to London or live near London or are in London and I can think of no more delightful place to have a chartered accountants' club than the Incorporated Society's Hall, and I would just like to put that point for your consideration. I do not doubt that there are many reasons why it cannot be done—in these days there always seem to be an infinite number of reasons why things cannot be done.

My only other point is that with the advent of the Society members into the Institute—I may say that I am extremely glad that the integration came about, and, as a matter of fact, even at the new rate of subscription I personally will save money, so I am not complaining from my own personal angle—it is a fact that 9,000 or 10,000 extra members will bring in £30,000 even at the present minimum rates—I do not know the exact figure but it looks like £30,000 or £35,000—so the deficiency would be covered very soon without it being found necessary to put the subscriptions up. Thank you, sir. (Applause.)

Mr. C. A. Barber: I am always reluctant not to find fault with anything the Council wants to do (laughter). I feel it is quite clear that as an Institute, at any rate for a few years ahead, we have to have more money than we have got coming in at the moment, and I have no hesitation in voting for these changes. The only thing I would like to say is that I cannot really believe that we shall need a new Institute building. I do not know how many office chairs we have got to accommodate, but I imagine the permanent staff is unlikely to be more than 100. I should think from what I remember of the present building, and the room in which I took my examination—I think it was almost the last time I was in it (laughter)—if we spent a certain amount of money on modifying the existing building we should have ample accommodation for all the high thought that has to go on in the Institute, but there is a great deal of clerical work that the Institute does, such as collecting subscriptions, arranging examinations and that sort of thing, which I should have thought could be done very much more cheaply away from the City of London without affecting the efficiency of the job. I would like to suggest that as a Council you should consider perhaps remodelling the

present hall and get out of London and do the unimportant work at unimportant costs.

Mr. G. B. Judd: I have no doubt that in a few moments the resolution will be passed by an overwhelming majority and I just want to say this—I hope that it will be interpreted not only as a vote of confidence in our Council, but also a vote of confidence in our staff. I do not think we have too many staff, nor do I think they have too little to do.

Mr. S. E. Newman: I would like to say in regard to the proposal today that we ought to exclude completely personalities in this matter. The Council all the time do their best—I do not think there is any question about that—and also the staff. It is quite an impersonal matter relating to the fees payable by fellows and associates and associates in practice, and it is they who are really concerned to a large degree, and not the way our Council have done their duty. I do feel we must leave personalities out of it, and that the matter should be considered solely on its merits or demerits.

Sir Russell Kettle: I want to disclose my interest in this—I am a retired member and pay one guinea a year. (Laughter and applause.) Really, listening to some of the speeches I begin to wonder whether we, as a body of responsible chartered accountants, are not losing our sense of proportion. The highest of these annual fees is £15 15s. What do you pay for lunch? What do you pay for your motor car? What do you pay for a suit of clothes? What do you pay your office boy? Yet here we are wasting time talking about £15 15s., £10 10s. or £5 5s. for the honour of belonging to the Institute, for which every member gets enormous advantage. I suggest we do not waste any further time and that we accord to the Council our vote in support of these increased fees which they are putting forward after very careful consideration and taking into account the interests of the Institute.

The President: If there are no more questions, I will try to reply as best I can to what has been said. Let us start with Parkinson's Law. I have read that book and I am sure all members of the Council are well aware of it. I do assure you that Parkinson's Law is not going to operate in the Institute. On the contrary, you can be satisfied that in your Council you have a body of men who are very keenly aware of the necessity to keep costs down and that we are most certainly going to continue to do so. I do ask you to leave that particular matter with confidence to us.

Then there is the question of inflation and the report of the Three Wise Men. Of course, we have one of the Three Wise Men with us on the platform, and I am going to suggest to you that if the Three Wise Men, instead of addressing their report to the public at large, had been addressing it only to those who had not increased in any way their prices since January 1, 1950, they might have written it in different terms.

All prices have gone up. Our own fees have gone up; I know there are sometimes difficulties, but generally speaking accountancy fees have been greatly increased since 1950, as have all other costs. Frankly our subscriptions are quite out of line and have been made out of line as a result of inflation. I do not think it is really relevant to suggest that this is an inflationary act of ours when no increase has been made since January 1, 1950.

I think it was Mr. Hughes who talked about fees. We have often considered the possibility of issuing a statement about fees, but there are a lot of difficulties about it. We have from time to time given pointers one way or the other which help members, but it is not easy to come

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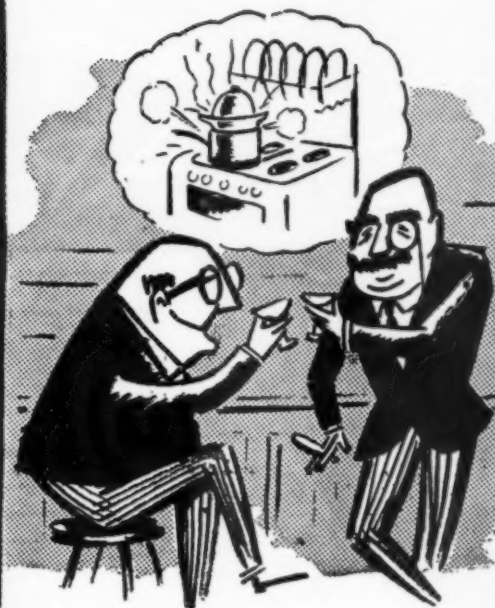
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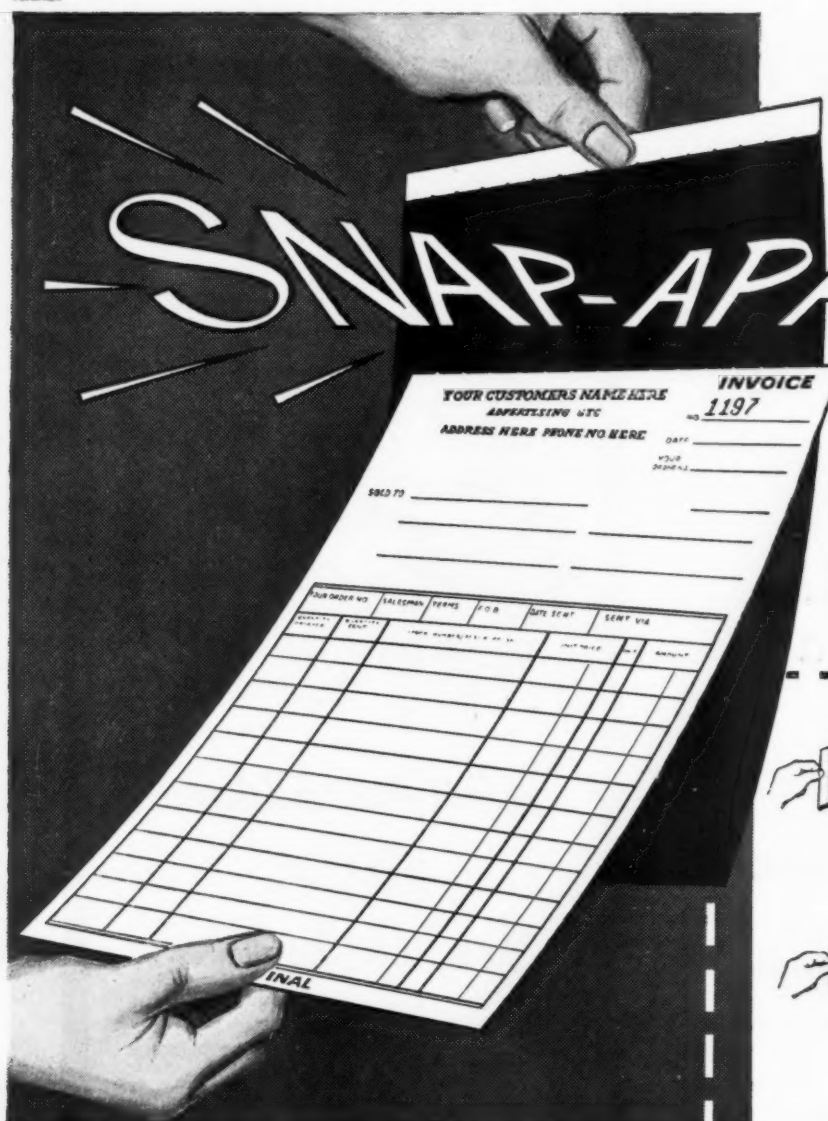
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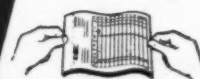
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out with anything very categorical that would necessarily be of real help and perhaps not have certain disadvantages to members.

One or two people said that our building could be adapted and made adequate and that we do not need a new headquarters. I assure you that is not so. It is a most incredibly inconvenient building even with the relatively small staff which is now in it, and in addition to the Institute building we have quite a substantial office round the corner in London Wall and we are also using the building of the Society to a small extent. Then there is another separate office where the staff of the paper ACCOUNTANCY do their work. It is really most extraordinarily inconvenient and staff conditions are bad—you must take that from me. We have had advice from architects and it is very questionable whether it is worth while trying to adapt the existing building—that is the advice we have had. The question of a new building has not yet been decided but it will, I hope, be reported at next year's annual meeting.

With regard to incorporated accountants, I was glad to hear an incorporated accountant say that they are willing to pay more. I think that is a very nice gesture. We have not suggested it at this time for the reason which I stated this afternoon, namely, we do appreciate that they have a loyalty and also a duty to the Institute of Municipal Treasurers and Accountants. That body presumably needs funds and so we felt it was a double burden upon them. It is heartening to learn from an incorporated accountant himself that possibly some higher subscription might at some time be collected from them without any feeling of injustice, and I shall certainly bear that in mind. (*Laughter.*)

With regard to the Incorporated Society's hall, I think we all regret having to sell that hall, but if you cannot use it yourself it is

better to let other people use it who can, and also get the cash. You suggested a club and so on. If such a club could be run at a profit, it would be better to let private enterprise turn it into a club for accountants—I do not think it is our job and we certainly do not want to run ourselves into a loss in undertaking such a thing.

The hall is not in a convenient position for us—it is too far from the Institute building to run the two together. The Embankment is not awfully convenient—it is too far from the West End and also from the City—but it is a beautiful hall in a beautiful situation. We have considered every aspect of it and we have come to the conclusion that the proper course is to sell it.

I think I have done my best, gentlemen, to answer the questions and I do sincerely hope you will support this resolution, bearing in mind that it has been considered backwards and forwards from every angle by the Council. I can also assure you that the remarks that have been made this afternoon about the need for economy and all those other points will be most carefully borne in mind.

I will now put the resolution to the meeting. Those in favour? Those against? I declare that resolution carried.

Thank you, gentlemen. That concludes the meeting.

Mr. E. Kenneth Wright: Mr. Chairman, ladies and gentlemen, the business of the meeting is not quite concluded, for I am sure that none of us will want to leave this hall without thanking our President for all he has done for the Institute during his year of office, which is now nearly ended. We chartered accountants are always fortunate in finding men of outstanding quality who will undertake the very heavy burden of leading the profession. Mr. Lawson, and these are words which everyone who knows him will accept without qualifica-

tion, ranks with the greatest. (*Hear, hear.*)

We shall remember his presidency principally for the completion of integration. Jobbing backwards it looks a straightforward and not-too-complicated an operation, but what a fiasco it might have been in less skilled and patient hands. Mr. Lawson has been called the architect of integration so often that he must wonder what profession he belongs to, but the designation is apt and well deserved, and it reminds us that Mr. Lawson has completed not one but two years of practically whole-time devotion to Institute affairs. (*Applause.*)

But integration has been only one of a host of presidential responsibilities which have been discharged with distinction. I can speak of another from personal observation—his visits to the district dinners. My colleagues, the presidents of the district societies, will endorse my words when I say that we have been proud of our President. He has represented the Institute with dignity; he has spoken with wit and wisdom and he has shown to those he has met, and with whom he has travelled, an endearing humanity. (*Applause.*)

I am sure you will want Mr. Lawson to take to his wife from us a personal message of thanks for the encouragement she has given him and we are also grateful to his partners.

Ladies and gentlemen, it is my privilege to propose a sincere vote of thanks to Mr. Lawson for his devoted services to our profession while President of the Institute. (*Applause.*)

The President: Mr. Wright and gentlemen, thank you very much indeed. That really does conclude the business of the meeting but I hope that some of you at any rate will remain to attend the meeting of the Benevolent Association.

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, May 7, 1958, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. H. Lawson, C.B.E., President, in the chair; Mr. W. L. Barrows, Vice-President; Mr. H. Garton Ash, O.B.E., M.C., Mr. E. Baldry, Mr. C. P. Barrowcliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. J. Blakey, Mr. W. G. Campbell, Mr. P. F. Carpenter, Mr. W. S. Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. A. S. H. Dicker, M.B.E., Mr. S. Dixon, Mr. W. W. Fea, Mr. P. F. Granger, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. H. O. Johnson, Mr. H. L. Layton, M.S.M., Mr. R. B. Leech, M.B.E., T.D., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J. Pears, Mr. C. U. Peat, M.C., Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E., Mr. G. F. Saunders, Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E., Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. G. L. C. Touche, Mr. A. D. Walker,

Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. M. Williams, Mr. R. P. Winter, M.C., T.D., Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Welcome to New Member

The President welcomed Mr. G. T. E. Chamberlain, F.C.A., who was attending for the first time as a member of the Council. Mr. Chamberlain briefly replied.

Admissions to Membership under the Scheme of Integration

The Council acceded to applications from 239 members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in Clause 34 of the Supplemental Charter. All the new members have been notified. The total number of members now admitted under the scheme is 9,585.

The scheme of integration required members of the Society of Incorporated Accountants to apply for admission to membership of the Institute within six months after the effective date, that is to

say, by May 2, 1958. The scheme, however, gives the Council discretionary power to extend the time-limit either generally or in any particular case. The Council has decided to make a general extension to July 31, 1958, and accordingly any application received on or before that date will be considered without enquiry as to why it was not submitted by May 2, 1958.

Re-Admission

One application for re-admission to membership was refused.

Reduction in Period of Service under Articles

One application under bye-law 61 for a reduction in the period of service under articles was acceded to.

Exemption from the Intermediate Examination

(a) Eight applications under bye-law 85 (a) for exemption from the Intermediate examination were acceded to.

(b) One application under bye-law 85 (b) for exemption from the Intermediate examination was acceded to.

Taxation and Research Committee

At its meeting on April 2, 1958, the Council decided, in view of the Scheme of Integration, to increase the size of the Taxation and

Research Committee by making the following changes in its constitution:

- (a) The London and District Society of Chartered Accountants to appoint 6 instead of 4 members.
- (b) The number of Council appointments to be increased from 10 to a maximum of 12.

The Council has accordingly appointed the following to membership of the committee: William Frederick Edwards, A.C.A.

William George Ainge Russell, F.C.A. and the Council is informed that the London and District Society has appointed the following to membership of the committee:

Charles Victor Best, F.C.A.

James Alfred Jackson, F.C.A.

The four new members of the committee are all members of the Council of the Society of Incorporated Accountants.

Scheme of Integration

Articled Clerks of the Society and Bye Law Candidates

Completion of Registration with the Institute

The last day for the receipt of applications from articled clerks of the Society and bye-law candidates to register under the scheme of integration was May 2, 1958. The total number of applications received at that date was 5,810 and registration had been completed in 2,337 cases. As the entitlement of each applicant is established he is sent instructions notifying him of the steps which he must take to complete his registration, together with any further document which is required for that purpose. Provided that the form of application to register had been received by May 2, 1958, no applicant is prejudiced by any delay in dealing with the application and in the issue of the relevant instructions.

The Council has now decided that the closing date for the receipt of documents which articled clerks of the Society and bye-law candidates are required to submit to complete their registration shall be July 31, 1958. In any case where the individual instructions are issued by the Institute after July 1, 1958, the closing date for the return of the relevant documents will be one month from the date of issue of the instructions. The Council retains discretion—for example, in respect of those articled clerks and bye-law candidates engaged on national service—to extend this period in any particular case if it considers it proper to do so, but it will only exercise that discretion where there exist circumstances which in its opinion are wholly exceptional.

Scheme of Integration—Examinations

The Council approved the following regulations under bye-law 120.

- (a) *Former articled clerks of the Society and bye-law candidates in Scotland and Ireland*

Any former articled clerk of the Society or bye-law candidate who has registered with the Institute under clauses 9, 10 and 11 of the scheme of integration shall, irrespective of the date at which he passed or was exempted from the Intermediate examination, be

permitted to sit for the Final examination of the Society under the Scottish or Irish procedure so long as that examination continues to be held, provided that he shall have served a substantial part of his period of service in the country concerned.

- (b) *Former articled clerks of the Society and bye-law candidates who elect to extend their prescribed period of service in order to qualify under clause 9 or 10 of the scheme—eligibility for examinations*

Where an articled clerk or bye-law candidate of the Society has elected to extend his term of service in order to qualify under clause 9 or 10 of the scheme, his eligibility for any examination shall be calculated by reference to his original term of service and not by reference to his revised term of service acceptable under clause 9 or 10.

Members Commencing to Practise

The Council received notice that the following members have commenced to practise:

ANDREAS, GEORGE ERNEST; A.C.A., 1923; 98 Wildwood Road, London, N.W.11.

ANDREWS, BERNARD, B.E.M.; A.C.A., 1958; (S. 1950); (R. S. Dawson & Co.), 11 Cheapside, Bradford, 1.

ASSENHEIM, ALAN; A.C.A., 1957; (Alan Assenheim & Co.), 43 Marlands Road, Ilford, Essex.

BALMER, DAVID; A.C.A., 1953; 19 St. Andrew's Avenue, Ashton, Preston.

BENDIG, MAURICE; A.C.A., 1956; (J. L. Simpson & Co.), 287 Manningham Lane, Bradford, 8.

BERRIDGE, HARRY; A.C.A., 1958; (†Scott, Wheatley & Palmer), Suffolk House, Silver Street, Hull.

BERRIMAN, JOHN WHALEY; A.C.A., 1958; (S. 1929); (†Peat, Marwick, Mitchell & Co.), Queen's Square, Middlesbrough.

BOLTON, JOHN STANSFIELD; A.C.A., 1956; (Smithson, Blackburn & Co.), Atlas Chambers, King Street, Leeds, 1.

BOORMAN, ALBERT EDWARD CAMBURN; A.C.A., 1958; (S. 1951); 36 Station Road, Barnes, London, S.W.13.

BOOTYMAN, JOHN TREVOR; A.C.A., 1954; (Forrester, Boyd & Co.), 26 South St. Mary's Gate, and Fish Docks, Grimsby; also at Louth and Scunthorpe.

BOWEN-JONES, PETER JOHN RICHARD; A.C.A., 1958; (S. 1954); (C. V. Miles & Partners), 45 The Parade, Cardiff.

BRAMLEY, EDWARD JAMES MICHAEL; A.C.A., 1951; (Cooper-Parry, Hall, Doughty & Co.), 16 High Street, Burton-on-Trent, and at Ashbourne, Derby and Uttoxeter.

BRETT, JAMES ARTHUR; A.C.A., 1958; (S. 1951); (H. Menzies & Co.), 82 Eden Street, Kingston upon Thames.

S. means year of admission to membership of the Society.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

CAPEY, JOHN, D.F.C.; A.C.A., 1951; (F. Geen & Co.), Victoria Chambers, Liverpool Road, Stoke-on-Trent.

CRANE, MARTIN TREVOR; A.C.A., 1958; (Crane, Houghton & Crane), Clun House, 17 Surrey Street, Strand, London, W.C.2, and at Twickenham.

DANE, TERENCE EDWARD; A.C.A., 1957; (Norman McKellen & Co.), 20 Booth Street, Manchester, 2.

DAVIS, PAUL DAVID; A.C.A., 1958; 1 Garrick Avenue, Golders Green, London, N.W.11.

DAVISON, FREDERICK ARTHUR; A.C.A., 1958; (S. 1953); (J. R. Davison & Co.), Lion Chambers, St. George's Square, Huddersfield.

DAVISON, WILLIAM LESLIE EGNER; A.C.A., 1958; (*H. R. Davison & Co.), 47 Boutport Street, Barnstaple, Devon, and at Braunton and Ilfracombe.

DAWSON, ARTHUR WILLIAM; A.C.A., 1958; (S. 1948); (Morris, Crocker & Co.), 102 Victoria Road North, Portsmouth, and at Havant and Petersfield.

DEWELL, DESMOND EDWARD; A.C.A., 1958; (S. 1950); 7 Homer Road, Shirley, Croydon, Surrey.

DOLAN, JOHN; A.C.A., 1958; (S. 1953); (R. S. Dawson & Co.), 11 Cheapside, Bradford, 1.

EDWARDS, BRIAN HUGHES; A.C.A., 1949; (Forrester, Boyd & Co.), 26 South St. Mary's Gate, and Fish Docks, Grimsby; also at Louth and Scunthorpe.

EVA, JOHN WILFRID; A.C.A., 1951; (James Carter & Sons), 14 Wood Street, Bolton.

FLEW, JACK HOWARD MANDERS, M.A.; A.C.A., 1956; (Hartleys, Wilkins & Flew), 1 Central Buildings, Tothill Street, Westminster, London, S.W.1.

FOULGER, HAROLD GEORGE JACKSON; A.C.A., 1936; (Kemp, Chatteris & Co.), St. Swithin's House, Walbrook, London, E.C.4, and at Manchester and Port Louis, Mauritius.

GOLDSMITH, PETER ERNEST; A.C.A., 1955; (Clark, Brownson & Co.), 8 The Drive, Hove, 3, and at Brighton and Eastbourne.

GUDGIN, WILLIAM JOSEPH; A.C.A., 1958; (S. 1951); (Baker, Todman & Co.), Canada House, Norfolk Street, Strand, London, W.C.2.

GUPPY, FREDERICK JOHN; A.C.A., 1951; (*Lanham & Francis), Newbury Gillingham, Dorset.

HASLAM, EDWARD LEIGH; A.C.A., 1951; (J. H. Waring & Co.), 18 Hotel Street, Bolton.

HAWKINS, KENNETH NEALE; A.C.A., 1958; (S. 1952); (Frazer, Whiting & Co.), 12A Grosvenor Street, Mayfair, London, W.1, and at Romford.

HAY, MICHAEL JAMES, B.Sc.; A.C.A., 1955; (*Phillips & Halliday), Westminster Bank Chambers, Wellingborough, and at Northampton and Towcester.

HEATH, JOHN CLIFFORD; A.C.A., 1958; (Dean Marshall & Co.), Whittington House, 7 Whittington Avenue, London, E.C.3.

HEATON, NORMAN JAMES; A.C.A., 1950;

THE STATE BUILDING SOCIETY

ANOTHER RECORD YEAR

ASSETS EXCEED £6,375,000

The twenty-seventh annual general meeting of The State Building Society was held on Tuesday, March 25, in London.

Mr. Noel Cow, A.C.A. (the chairman) presided and, in the course of his speech, said:

It is my pleasure and privilege to preside again at the Annual General Meeting of the Society—particularly as I am again able to report another record year—this is the fifth year running that I have been able to say this.

The year 1957 was a difficult one for Building Societies in general—the credit restriction conditions materially worsened and the climax was the unpredicted 2 per cent. rise in the Bank Rate—the consequent lack of funds for investment, followed by cash withdrawals to be placed into more profitable sources. Building Societies are vulnerable in times of crisis—they accept money on short terms (usually payable at one month's notice) and then loan long-term mortgages from 10 to 20 years and sometimes longer than that. It is for that reason that a good Building Society maintains a cash and liquidity position of not less than 10 per cent. of its total assets.

It became immediately apparent to our Board that action to restore the confidence of Investors was essential. As we are NOT Members of the Building Societies' Association and have not to await a lead from them as to what steps we should take to meet the situation, our Board, after due consideration, decided upon Fixed Term Investment Shares whereby the Society offered a $\frac{1}{2}$ per cent. higher rate of interest than our normal rate as a guaranteed minimum in consideration of investments definitely fixed for 3 to 5 year periods.

How right we were—the idea was an immediate success and at December 31, last, over 25 per cent. of our Share investment monies were fixed for 3 and 5 year terms.

I think we are the only Society in this fortunate position, whereas today, namely—since the publication of these accounts—we are materially better, for over 40 per cent. of our Share investment funds are secured for 3 to 5 years firm and our Assets now exceed 7½ million pounds Sterling.

Another fact of which we are proud—our Trustee Securities at Market Value are in excess of Cost price—many societies in the Balance-sheets carry Trustee Securities at Cost, which at Market prices would show losses between 20 per cent. and 25 per cent. In this connection we would like to see that all Building Societies, for the information of their Shareholders, make a separate provision for any temporary shrinkage in the value of their Trustee investments and not merely make a note underneath their total investments in their Balance-sheet of the market value at December 31, last, or at the date of their Annual Accounts, whichever date applies. We think it misleading that a Reserve should be called General Reserve Account when part of it is needed for a specific purpose, namely—the loss on the Trustee investment.

The Accounts. You will see from the new form of printed accounts following the Registrar's new A.R.II. form that comparative figures for 1956 against the year under review are shown.

Shares. New Subscriptions were no less than £2,150,069 and after providing for withdrawals out net increase was £1,655,307. Our Share Account is now £5,732,906—with a Membership of 11,853. The average investment is £485.

Deposit. There was a net increase in Deposits of £37,865 to £225,434. Depositors total 471.

Mortgages. We provided £2,366,111 of new loans during the year and after allowing for mortgage redemptions we finished the year with £5,457,043, an increase of £1,497,309. There are 7,160 mortgagors and the average loan is £762.

Reserves. Subject to your approval we suggest that our Surplus of £74,596 be allocated to:

No. 6 General Reserve Accounts £72,500
No. 7a Office Premises Reserves £1,500
and the balance to our Carry Forward. Our Reserves and Carry Forward total £208,322 which equals 3.27 per cent. of our total assets. The surplus of £74,596 is far and away larger as a percentage than most societies are able to show for the year 1957 and there are many societies of three and four times our size who cannot show anywhere near this amount.

Mortgage Losses Reserve Account. Last year we transferred £1,000 to this account because it was a new heading under the Registrar's A.R.II. form but we have not found it necessary to increase this sum as the Society have not had any mortgage loss during the year.

Office Premises Reserve. A further £1,500 has been added to this account providing for the amortisation of the lease of our Head Office.

Liquidity. Cash and Trustee Securities at Market Value on December 31, last, amounted to £825,864, equalling 12.95 per cent. of total Assets. The Building Societies Association recommend a minimum of 7½ per cent. the safe margin to hold.

Assets. Our Assets now total £6,375,634, an

increase of £1,827,047—new records over all previous years. Although we loaned £2,366,000 during the year, applications for mortgage far exceeded the funds available. Our policy of loaning on the older type of houses—of sound structural condition—has been justified. The passing of the 1957 Rent Act has, in effect, materially improved our margin of security and our loans thereon now represent less than half of the current value of these properties.

New Investment Rates. There has been quite a lot of publicity hinting that it is not safe or prudent to invest in any society that pays a higher rate of interest than that recommended by the Building Societies Association, but in our case these remarks are not substantiated by the facts. Many societies now realise that to compete in the money market they must come into line with modern conditions and how out of place the above remarks appear when members of the larger societies, all who are Members of the Building Societies' Association, are offering on Deposit a higher rate of interest than on their Investment Shares.

In conclusion I would like to mention a few of the more interesting statistics which I have extracted from the Building Societies' Year Book which is, as you are no doubt aware, a most comprehensive survey of the Building Society movement.

The 1957 Year Book, which publishes all accounts ending December 31, 1956, or during that year, shows our Society to be 70th amongst 782 Active Building Societies. This is a most remarkable achievement if you will bear in mind that only in 1952, namely four years earlier, we were in the 197th place. But I am pleased to say our progress does not stop there and I am certain when the 1958 Year Book is published for the year ending December 31, 1957, you will find our Society has moved still further up in the list.

However, we have not only grown in size but also in strength—in our Reserves. Reserves, as you are no doubt aware, can only be built up over a period of years, and we are really a young Society by comparison with most other societies, namely, we are today only 27 years old, yet, what is our position so far as Reserves go? Again by comparison amongst 246 societies with Assets of over half a million pounds, we come out with flying colours. The reason is easy to see—one-sixth of these Societies have a smaller percentage of Reserves than our Society but are some 30 to 80 years older than we are.

Further, whilst not wishing to criticise other societies, their Trustee Securities have substantially depreciated but NO SPECIFIC sum has been provided against their Reserves for these obvious and actual losses, but our Society has NO LOSS on its Trustee Investments. On the contrary, we show a profit.

I could continue with further examples of our success and our impartial judgment, but I think I have said sufficient to point out why it is Safe and Prudent to "Invest in the State." Our motto remains, with justification, and I am sure you will agree, "For Safety Invest in the State."

Finally, I would like to say before finishing that such an achievement would not be possible without the drive and foresight of our Managing Director, Mr. H. H. Murray, and the very willing co-operation of our Board and all our Staff, for, believe me, it means very hard work and carefully planned administration to cope with the extra work occasioned by such growth as we have made.

The report was adopted.

THE STATE BUILDING SOCIETY

Established 1931



FOR "SAFETY" INVEST IN THE "STATE"

Number of Share Investors at end of year	11,853
Number of Creditors for Deposits and Loans at end of year	471
Number of Borrowers at end of year	7,160

DIRECTORS:

NOEL COW, A.C.A. (Chairman)
H. H. MURRAY, F.P.F.A.S.
(Managing Director and Secretary)
A. WYATT
P. F. COLLINS, F.A.I.P.A.
E. H. PAGE, A.C.A.
W. GOODPELLOW
Registered Office:
26 Upper Brook Street, Park Lane,
London, W.1

Assets: £6,375,634

Interest:

4½% Income Tax Paid
5% Income Tax Paid 3-year
Term Investment

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Most people face a big drop in income sooner or later if they cannot work from illness or accident.
Are *YOU* insured against this risk?

"HOW DO I INSURE MY INCOME?"

By taking out a PERMANENT SICKNESS INSURANCE POLICY to provide a weekly income if illness or accident stops you working.

"HOW LONG DOES THE INSURANCE LAST?"

It is usual to take a policy that goes on to age 65 so that you are protected throughout normal working life.

"CAN I CLAIM MORE THAN ONCE?"

Yes. As often and for as long as necessary. If you are so ill that you cannot work again, the payments continue as long as the insurance lasts.

"CAN THE POLICY BE CANCELLED BY THE COMPANY IF I CLAIM HEAVILY?"

NO. No matter how much benefit you draw the Company cannot cancel or amend the Policy on this account.



"HOW MUCH DOES IT COST?"

That depends on your age at entry and the type of benefit. If you do not need payments to begin until you have been off work for six months you can secure

£5 a week

UP TO AGE 65

FOR **£5** A YEAR

if you are under 32 now and can pass a medical examination. (You can start at any age up to 50).

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- (Callingham, Brown & Co.), Balfour House, 119/125 Finsbury Pavement, London, E.C.2.
- HENLEY, RONALD ARTHUR; A.C.A., 1949; (Larking & Larking), 9 Red Lion Street, Norwich, and at Canterbury, Dereham, Maidstone, Sittingbourne, and Winslow.
- HEPBURN, BRIAN; A.C.A., 1953; (Hepburn & Son), Abford House, Wilton Road, London, S.W.1.
- HILTON, GORDON; A.C.A., 1936; (Jefferson & Co.), 11 Cookson Street, Blackpool.
- HODGSON, FRED HIRD; A.C.A., 1958; (S. 1954); 112 Bradford Road, Riddlesden, Keighley, Yorkshire.
- HOLDEN, RICHARD ANTHONY; A.C.A., 1958; (S. 1955); (Baldwin, Billington & Holden), Bank Chambers, 2 Lord Street West, Blackburn.
- HOMBURGER, ALFRED NATHAN; A.C.A., 1958; (S. 1955); 15 St. Georges Road, London, N.W.11.
- HORTON, CLIVE FIELDING; A.C.A., 1954; (Day, Smith & Hunter), Star House, Maidstone, Kent, and at Gravesend and Harrow.
- HOWE, NORMAN HERBERT FREDERICK; A.C.A., 1958; (S. 1948); (Waterhouse & Francis), Saxon Chambers, 8A London Road, St. Leonards-on-Sea, and at Bexhill-on-Sea.
- HUNN, GEOFFREY WILSON; A.C.A., 1958; (S. 1954); 61 Greystones Close, Sheffield, 11.
- HUNT, DAVID EDWARD, M.A.; A.C.A., 1956; 54 Oxford Street, Woodstock, Oxfordshire.
- HUTCHINSON, JOHN FRANKLIN; A.C.A., 1958; Hollydene, Beadles Lane, Oxted, Surrey.
- KIRKBY, ERIC; A.C.A., 1958; (S. 1948); (R. S. Dawson & Co.), 11 Cheapside, Bradford, 1.
- LAW, BRYAN WILLIAM; A.C.A., 1957; (Wilfrid B. Gowers & Co.), Western House, 303 Western Bank, Sheffield, 10.
- LEDGUR, GORDON HERBERT; A.C.A., 1954; (*H. Ledbury & Son), 51 Fore Street, Trowbridge, Wilts.
- LEESE, REGINALD GEORGE; A.C.A., 1952; (F. Geen & Co.), Victoria Chambers, Liverpool Road, Stoke-on-Trent.
- LIGHTOWLER, FRANK; A.C.A., 1958; (S. 1950); (Auker, Horsfield & Longbottom), 24 Forster Square, Bradford, 1.
- MCNEIL, IAN ROBERT; A.C.A., 1955; (Nevill, Hovey, Gardner & Co.), 43 Church Road, Hove, 3, and at London.
- MANNERS, JOHN GEOFFREY WILSON; A.C.A., 1954; (Chipchase, Wood & Co.), 125 Albert Road, Middlesbrough, and at Barnard Castle, Bishop Auckland and Durham.
- MITCHELL, REGINALD; A.C.A., 1958; (S. 1922); (F. Geen & Co.), Victoria Chambers, Liverpool Road, Stoke-on-Trent.
- MOSS, MALCOLM; A.C.A., 1958; (L. K. Scott & Co.), 111 Moorgate, London, E.C.2, and 19 Fortismere Avenue, London, N.10.
- NEWAY, LESLIE JOHN; A.C.A., 1958; (S. 1955); (Frazer, Whiting & Co.), 29 Eastern Road, Romford, Essex, and at London.
- NICHOLLS, GEORGE EDWARD; A.C.A., 1958; (S. 1949), (Wootton, Pattinson & Nicholls), 17 St. Peter Street, Winchester, and at Alton.
- OGDEN, LESLIE; A.C.A., 1958; (Turquand, Youngs & Co.), 19 Coleman Street, London, E.C.2 (for other towns see Turquand, Youngs & Co.).
- OLLIVE, FRANK JOHN; A.C.A., 1954; 11 Leamington Avenue, Bromley, Kent.
- PHILLIPS, MICHAEL IVOR; A.C.A., 1956; 272 Willesden Lane, London, N.W.2.
- PONDER, RONALD MORTON; A.C.A., 1935; Thorpehead, Chorley Wood, Rickmansworth, Herts.
- POWELL, DEREK LLEWELLYN; A.C.A., 1958; (S. 1952); (Ralph Burford & Son), 7 St. Andrew's Crescent, Cardiff.
- PURSGLOVE, DENIS WALTER; A.C.A., 1958; (Boyce, Welch & Co.), 3 Piccadilly, Bradford, 1, and at London.
- RIMMER, KENNETH WALTER; A.C.A., 1954; (C. T. Stephens & Co.), 20 Westgate Chambers, Newport, Mon.
- ROSENTHAL, SYDNEY NORMAN; A.C.A., 1958; 7 Holey Street, Cheetham, Manchester, 8.
- ROTH, Barrie Jeffrey; A.C.A., 1958; (B. J. Roth & Co.), 154 Bethune Road, Amhurst Park, London, N.16.
- SALMON, ALAN DANIEL; A.C.A., 1958; (S. 1953); (*Larking, Larking & Whiting), 12/13 The Crescent, Wisbech; (for other towns see *Larking, Larking & Whiting).
- SCARFE, PETER; A.C.A., 1958; (S. 1951); (Larking & Larking), 9 Red Lion Street, Norwich, and at Canterbury, Dereham, Maidstone, Sittingbourne and Winslow.
- SHEPHERD, GEOFFREY DOUGLAS; A.C.A., 1954; (James Watson & Son), Lloyds Bank Chambers, Lowther Street, Carlisle.
- SMEE, ANTHONY JOHN; A.C.A., 1958; (S. 1955); (Baker, Todman & Co.), Canada House, Norfolk Street, Strand, London, W.C.2.
- SMITH, PETER HOLBOURN; A.C.A., 1951; (Stephenson, Smart & Co.), Barclays Bank Chambers, 316 High Street, Lincoln.
- SOLOMON, MICHAEL BRODIE; A.C.A., 1957; (Solomon, Shine & Brodie), 152 Commercial Street, Bishopsgate, London, E.1.
- STANLEY, JOHN MICHAEL; A.C.A., 1955; (Alfred Dobson & Co.), Permanent House, The Headrow, Leeds, 1.
- SULKIN, RONALD; A.C.A., 1955; (Caldwell & Braham), St. Stephen's House, Westminster, London, S.W.1.
- SWANNELL, GORDON; A.C.A., 1958; (S. 1952); (*Phillips & Halliday), Westminster Bank Chambers, Wellingborough, and at Northampton and Towcester.
- TAYLOR, JOSEPH BENJAMIN; A.C.A., 1958; (S. 1934); (R. S. Dawson & Co.), 11 Cheapside, Bradford, 1.
- WALKER, DAVID EATON, LL.B.; A.C.A., 1949; (Williamson, Butterfield & Roberts), 2 Darley Street, Bradford, 1, and at Cleckheaton.

WALKER, ROLAND GEOFFREY WATSON; A.C.A., 1951; (Harvey Preen & Co.) and (Arthur D. Seward & Co.), 17 Basinghall Street, London, E.C.2; also at Birmingham, Bristol and Yeovil (Harvey Preen & Co.), and at Stratford-on-Avon (Newland & Co.).

WELLS, JOHN LUTHER; A.C.A., 1958; (S. 1951); (Hodge & Baxter) and (Leslie Smith & Co.), National Provincial Chambers, High Street, Kettering.

WICKENDEN, KEITH DAVID; A.C.A., 1955; (Robt. A. Plant & Co.), 17 Coton Road, Nuneaton, and at Birmingham.

WILLSON, KEITH VERNON; A.C.A., 1952; (Hare, Wilson & Co.), Redmead House, Uxbridge Road, Hillingdon Heath, Middlesex.

WILSON, CLIVE STANLEY; A.C.A., 1958; (S. 1955); (*Scott, Wheatley & Palmer), Suffolk House, Silver Street, Hull.

WOOD, WALTER WILLIAM; F.C.A., 1958; (S. 1931, f. 1950); (Morris, Crocker & Co.), Lyndum House, 14 High Street, Petersfield, Hants, and at Havant and Portsmouth.

Election to Fellowship

(a) Twenty-five applications from associates for election to fellowship under clause 6 of the Supplemental Charter (bye-law 31) were acceded to.

(b) Twenty-two applications from associations for election to fellowship under clause 3 (b) of the Scheme of Integration referred to in clause 34 of the Supplemental Charter were acceded to.

Admission to Membership

It was resolved:

(a) that two applicants be admitted as associates under clause 5 of the Supplemental Charter (bye-law 31).

(b) that 137 applicants be admitted to membership under clauses 9 to 12 of the Scheme of Integration referred to in clause 34 of the Supplemental Charter.

Resignations

The Council accepted the resignation from membership of the Institute of:

BRIDGER, HAROLD LESLIE, A.C.A., Frampton, Dorset.

HASKAL, ABRAHAM ISAAC, A.C.A., Salisbury, S. Rhodesia.

STONE, PERCY HAROLD, F.C.A., Edgbaston, Birmingham.

WENHAM, REGINALD ARTHUR, M.A., A.C.A., Harrow-on-the-Hill.

Registration of Articles

The Secretary reported the registration of articles of clerkship as follows:

	1958	1957
April	108	64
January to April ..	804	434

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

INGLEBY, Dennis, to INGLEBY, Dennis Sinclair.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

- CUTFORTH, Sir ARTHUR EDWIN, C.B.E., F.C.A., Ambleside, a member of the Council from 1923 until 1940 and President of the Institute 1934-36.
- ALLAN, ROBERT JAMES, A.C.A., Newcastle upon Tyne.
- ASHBY, CECIL EDWIN HOODLESS, A.C.A., Watford.
- BARKER, PERCY FREDERIC, M.M., A.C.A., Birmingham.
- BASDEN, EDWARD DUNCAN, C.B.E., M.C., M.A., F.C.A., London.
- BURTON, ROBERT WINDRAM, F.C.A., Leicester.
- DRAKE, ERIC CHARLES, A.C.A., Birmingham.
- EAVES, WILLIAM, F.C.A., Manchester.
- EVERSON, EDWARD HENRY, C.B.E., A.S.A.A., Edinburgh.
- FENWICK, WILLIAM FREDERICK JAMES, A.C.A., Exeter.
- GROSE, MAURICE, F.C.A., London.
- HAGUE, HAROLD, B.Sc., F.C.A., Oldham.
- HODGKISS, LEONARD JAMES, A.C.A., Wolverhampton.
- HUGHES, JOHN, A.C.A., Chester.
- KEASLEY, HARRY, F.C.A., London.
- LAMBERT, DOUGLAS CHRISTOPHER, A.C.A., Gosforth.
- LOWE, REGINALD WILLIAM LEWIS, A.C.A., Machynlleth.
- PALMER, CHARLES FREDERICK, F.C.A., Lancaster.
- PEART, HARRY JOHNSON, A.C.A., Birmingham.
- PILLING, ALFRED, O.B.E., J.P., F.C.A., Bolton.
- ROE, GERALD CUTHBERT GALAHAD, A.C.A., Southport.
- ROSE, LEWIS, A.C.A., Derby.
- SHIPLEY, RONALD HARRY, F.C.A., London.
- SHUTTLEWORTH, FREDERICK JOHN, M.C., B.A., A.C.A., London.
- THRELFORD, SIR WILLIAM LACON, M.B.E., F.C.A., London.
- TOZE, CHARLES REGINALD RAYMOND, A.C.A., Guildford.
- TURNER, HARRY, A.C.A., Burnley.
- WALTON, THOMAS, A.C.A., Coulsdon.
- WARE, RALPH ERNEST, M.B.E., F.C.A., Bristol.
- WATKINS, GEORGE HENRY, A.C.A., Skegness.
- WEBB, EDWARD CARRUTHERS, A.C.A., Torquay.
- WILSON, CARUS, A.C.A., Ashton-under-Lyne.

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of bye-laws appended by the supplemental Royal Charter of December 21, 1948, at a hearing held on April 2, 1958.

A formal complaint was preferred by the

Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a Fellow of the Institute (a) was in November, 1957, at Bow Street Magistrates' Court convicted as liquidator of a limited company on two charges of failing to send to the Registrar of Companies a statement with respect to the proceedings in and position of the liquidation of that company for each of the two periods ended April 6, 1956, and October 6, 1956, contrary to Section 342 of the Companies Act, 1948; (b) had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3), of the supplemental Royal Charter in that he failed to reply to two letters addressed to him by the Secretary of the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved under both headings and the Committee ordered that the member be reprimanded, but considered that there existed special circumstances which justified the omission of his name from the publication of the Finding and Decision.

Chartered Accountants' Benevolent Association

THE 72ND ANNUAL general meeting of the Chartered Accountants' Benevolent Association was held on May 7 following the meetings of the Institute.

Mr. W. S. Carrington, F.C.A., the President, said:

Mr. President, Ladies and Gentlemen,

I am very grateful to you for having shown your interest in the Benevolent Association by staying behind for this meeting and I will do my best not to detain you longer than is absolutely necessary.

The salient feature of the report and accounts which are now before you for consideration, and I hope approval, is that whilst the expenditure on relief amounted to £13,000, the subscriptions amounted only to £7,000. Admittedly, we had a net surplus for the year of £1,172 but that was because our income from investments amounted to some £7,300.

I make no apology for the amount expended on relief, which was some £1,600 greater than the expenditure in 1956/57, and having regard to the review of the grants referred to in paragraph seven of the annual report there will undoubtedly be a further increase in expenditure on relief in 1958/59.

Our overriding aim is to help those in need and whilst I have no compunction in using investment income for this purpose, I think it would be much better if the present generation of members of the Institute measured up to their responsibilities by increasing our subscription income to a sum

at least equal to our expenditure on relief.

It is hardly to our credit that at the end of last year when the Institute membership was around the 20,000 mark, only 3,300 were members of the Benevolent Association, and I do urge the present subscribers to use their very best endeavours to persuade others to join the Association and give as generously as they can so that we may have a big upsurge in the amount of our subscription income.

As stated in paragraph 17 of the report, it has not been practicable so far to evolve a scheme for merging the Benevolent Fund of Incorporated Accountants with that of the Institute. The law relating to charities bristles with technical complexities and pitfalls abound but the matter of a merger is receiving the earnest consideration of your Executive Committee and the Trustees of the Society's Benevolent Fund with our respective legal advisers, and whilst it would be foolhardy to make any promises in regard to such a difficult matter, I do hope that in due time we shall be able to present the members of both Funds with a satisfactory scheme for their merger.

I referred earlier to the need for assistance in recruiting new members and obtaining increased subscriptions. There is another practical way in which members of the Institute can help our work; we are most anxious that no deserving case should go unaided and I would ask that if anyone hears of a member of the Institute or dependents of a member of the Institute who are in need of assistance, will they please bring the matter to the notice right away of either the hon. secretary of their local district society, or the Hon. Secretary of the Benevolent Association so that the case may be investigated and any necessary help given with the least possible delay.

As most members are aware, the Association is a participant in Crossways Trust which owns and runs homes for old people, particularly those who have no-one to look after them; at the present time we are in a position to place two or three old people at relatively short notice in these homes and enquiries on behalf of suitable candidates would be welcomed; they should be addressed to Mr. Loveday at the Institute.

In conclusion, may I underline the thanks expressed in the report to all those who in divers ways have assisted the Association during the past year.

I now move that the report and accounts for the year ended February 28, 1958, be received and adopted, and I will ask the President of the Institute if he will be good enough to second that motion.

Mr. W. H. Lawson, C.B.E., F.C.A., President of the Institute, seconded the resolution and it was carried unanimously.

Mr. C. Montgomery Williams: Gentlemen, with a full realisation of the fact that the examination of the Association's accounts must entail a great deal of work, I beg to move "That the honorary auditors, Mr. Geoffrey Bostock, F.C.A., and Mr. Leonard Walter Bingham, F.C.A., be re-elected for the ensuing year and that our

grateful thanks to them for their honorary services during the past year be recorded."

Mr. A. Lees seconded the resolution and it was carried unanimously.

The President: That concludes the annual meeting and we will pass to the special meeting notice of which was given with the report and accounts. I assume that you will accept that notice as read. (*Hear, hear.*) The resolutions are, I think, self-explanatory. The main one concerns the investment powers of the Association. After consultation with the Investments Sub-Committee the Executive Committee felt that it would be better if there were no restrictions on the investment policy of the Association, in other words that the Executive Committee should be free to invest in any type of stock in any country.

We found that we were restricted in some respects. In particular we could not invest in American stock, not that I am suggesting that you should rush out and buy American stock, but we feel that it would be helpful if we had power to do that when advised.

The other proposed alterations are largely of a tidying up character. We find, for instance, that we are restricted in regard to some of the grants which we make. I would point out that the value of money has changed. Whereas one hundred guineas might have been regarded as a large sum to grant in days gone by, it is now inadequate in regard to some of the cases which we have to deal with in the present day: hence our desire to make an alteration in the Rules in that respect. The other alterations proposed are largely procedural and do not, I think, call for comment. I formally propose the resolution set out in the agenda.

Mr. Lawson seconded the resolution and it was carried unanimously without question or comment.

The President: I thank you, gentlemen, for your attendance and express the hope that you will ask your colleagues, partners and friends to bring to the notice of the Executive Committee any cases in need of help. The last thing we want to do in this Association is to find that someone has been suffering for a long time and that that suffering could have been alleviated much sooner if we had had information about it.

Mr. R. P. Matthews: Mr. Chairman, ladies and gentlemen, I should like to detain you for one moment to propose a very hearty vote of thanks to Mr. Carrington for his work as President of this Association for the past twelve months. I cannot pretend that I know the details of the work he has done for it except so far as it is referred to in the report and in what has been said today, but I know that if he does a job he does it well and I am certain that the value of the work which he has put into this Association has been of very great value not only to those who run the Association but also to those who benefit by it. I have therefore very much pleasure of proposing a hearty vote of thanks to him and I ask you to show your approval in the usual way. (*Applause.*)

A brief acknowledgment by the President concluded the proceedings.

Annual Report

THE ASSOCIATION ON February 28, 1958, consisted of 3,304 members, comprising the President, 82 Vice-Presidents, 13 Life Governors, 620 Annual Governors, 107 life members and 2,481 annual members.

Assistance was given during the year in 102 cases. The total expended by the Association in relief since its formation in 1886 amounts to £252,919.

During 1957/58 the amount expended on relief was £13,069, showing the substantial increase of £1,764. Subscriptions were £7,018 and interest and dividends £7,313: these amounts were less than in the previous year by £158 and £249 respectively.

Legacies received during the year amounted to £495, and donations to £812.

The rules of the Benevolent Fund of the Society of Incorporated Accountants are such that it has not been practicable so far to merge the fund with that of the Institute. Both funds are operating as separate entities while the position is being further explored. Former members of the Society who subscribe under deed of covenant to the Incorporated Accountants' Benevolent Fund are asked to continue their subscriptions to that fund; others are asked to subscribe to this Association.

The Board puts on record that at the annual meeting in 1957 a resolution was passed with acclamation expressing the members' appreciation of the generosity of Mr. G. R. Freeman, F.C.A., to the Association and of his energy, understanding, wisdom and unsurpassed devotion to its affairs as member of the Executive Committee since 1919 and as President for the last twenty-one years.

Dinner by President and Council

THE PRESIDENT, Mr. W. H. Lawson, C.B.E., and the Council of the Institute gave a dinner on May 6 at Fishmongers' Hall, London, E.C. (by kind permission of the Prime Warden and Wardens). There were present:

Mr. W. G. Agnew, C.V.O. (Clerk to the Privy Council); Sir Frederick Alban, C.B.E. (past President of the Society); Mr. J. A. Allen (Joint Liquidator of the Society); Mr. W. M. Allen (an Assistant Secretary); Mr. H. Garton Ash, O.B.E., M.C. (member of the Council and past President); Mr. John Ashworth, M.B.E. (member of the Council); Mr. C. W. Aston (Non-Practising Members' Advisory Committee); Mr. W. O. Atkinson, M.B.E. (President, Institute of Municipal Treasurers and Accountants); Mr. W. M. Balch (President, Royal Institution of Chartered Surveyors); Mr. Edward Baldry (member of the Council); Mr. R. W. Banks, C.B.E. (former Secretary of the Institute); Mr. C. Percy Barrowcliff (member of the Council); Mr. W. L. Barrows (Vice-President); Mr. R. Wilson Bartlett, D.L. (past President of the Society); Sir Harold Barton (past President); Mr. Merlin F. J.

Batting (President, Chartered Auctioneers' and Estate Agents' Institute); Mr. T. A. Hamilton Baynes (member of the Council); Mr. J. H. Bell (member of the Council); Mr. H. A. Benson, C.B.E. (member of the Council); Sir Bernhard Binder (past President); Mr. T. Fleming Birch (former member of the Council); Mr. Roland Bird (Deputy Editor, *The Economist*); Mr. J. Blakey (Past President, member of the Council); Mr. James Borsay (President, Institute of Cost and Works Accountants); Mr. C. W. Boyce, C.B.E. (past President); Mr. B. E. Brown (South Wales and Monmouthshire District Society); Mr. R. B. Brown (Chairman, Southern Electricity Board); Mr. A. G. B. Burney, O.B.E.; Mr. W. G. Campbell (member of the Council); Mr. P. F. Carpenter (member of the Council); Mr. W. S. Carrington (Past President, member of the Council); Mr. John Cartner (Non-Practising Members Advisory Committee); Mr. G. T. E. Chamberlain (member of the Council); Mr. R. A. Chermide (Bristol District Society); Mr. L. F. Cheyney (Secretary, Institute of Municipal Treasurers and Accountants); Mr. J. Clayton (member of the Council); Mr. J. M. S. Coates, O.B.E. (Northern District Society); Mr. A. F. B. Cooke (Stock Exchange, Share and Loan Department); Mr. R. W. Cox (Nottingham District Society); Sir Cecil Crabbe (Chief Registrar of Friendly Societies); Mr. I. A. F. Craig, O.B.E. (an Assistant Secretary); Mr. C. Croxton-Smith (member of the Council); Mr. J. C. Dancy (Headmaster of Lancing College); Sir Maurice Dean, K.C.B., K.C.M.G. (Permanent Under-Secretary of State, Air Ministry); Mr. W. G. Densem (member of the Council); Mr. A. S. H. Dicker, M.B.E. (past President, member of the Council); The Hon. Mr. Justice Diplock; Mr. S. Dixon (member of the Council); Mr. James T. Dowling (immediate past President of the Scottish Institute); Mr. Frank Downing (Sheffield and District Society); The Rev. A. J. Drewett (Rector, St. Margaret's, Lothbury); Mrs. I. M. Duncalf; Mr. W. F. Edwards (Non-Practising Members Advisory Committee); Mr. R. W. L. Eke (Chairman, CAESS Committee); Mr. E. Cassleton Elliott, C.B.E. (past President of the Society); Mr. C. A. Evan-Jones, M.B.E.; Mr. A. H. Farquhar; Mr. W. W. Fea (member of the Council); Mr. F. H. H. Finch; Mr. G. R. Freeman, C.B.E. (past President); Mr. C. G. Garratt-Holden, C.B.E., T.D. (Secretary, Building Societies' Association); Mr. A. A. Garrett, M.B.E. (former Secretary of the Society); Mr. J. W. Gauntlett; Sir Harold Gillett, M.C. (member of the Council); Mr. P. F. Granger (member of the Council); Mr. Maurice Green (Assistant Editor, *The Times*); Mr. R. A. Hamlyn, O.B.E.; Sir Henry Hancock, K.C.B., K.B.E., C.M.G. (Chairman, Board of Inland Revenue); Mr. E. G. Hardman (President, Chartered Institute of Secretaries); Mr. M. G. J. Harvey; Mr. W. H. Haslam; Mr. L. C. Hawkins (member of the Council); Mr. J. S. Heaton (member of the Council); Lt.-Col. D. V. Hill (Steward, Christ Church, Oxford); Mr. Walter Holman (past President of the Society); Mr. D. V. House (past President, member of the Council); Sir Harold Howitt, G.B.E., D.S.O., M.C. (past President, member of the Council); Mr. D. P. Hubbard; Mr. P. D. Irons (member of the Council); Mr. H. O. Johnson (member of the Council); Sir Russell Kettle (past President); Mr. Stanley Kitchen (Birmingham and District Society); Mr. G. Francis Klingner (immediate past President of the Irish Institute); Mr. J. C. Latham, D.L. (Director, Association of Certified and Corporate Accountants); Mr. H. B. Lawson (Deputy Chief General Manager, Lloyds Bank

Ltd.); Mr. P. H. Lawson; Mr. H. L. Layton, M.S.M. (member of the Council); Mr. R. D. Lea (Leicestershire and Northamptonshire District Society); Sir Frank Lee, K.C.B., K.M.G. (Permanent Secretary, Board of Trade); Mr. R. B. Leech, M.B.E., T.D. (member of the Council); Sir Percy Lister; Mr. Leo T. Little (Editor, ACCOUNTANCY); Mr. C. H. S. Loveday (an Assistant Secretary); Mr. F. J. B. Lovell; Mr. E. H. V. McDougall (Secretary, Scottish Institute); Mr. W. R. MacGregor (former member of the Council); Mr. Alan S. MacIver, M.C. (Secretary); Mr. R. McNeil (member of the Council); Mr. G. P. S. Macpherson, O.B.E.; Sir Philip Magnus-Allcroft, Bt.; Mr. J. H. Mann, M.B.E. (member of the Council); Mr. P. J. Mantle, C.M.G. (Assistant Secretary, Insurance and Companies Department, Board of Trade); Mr. E. H. Marker, C.B. (formerly Under Secretary, Board of Trade); Mr. A. C. S. Meynell (immediate past President, Association of Certified and Corporate Accountants); Mr. C. D. Morley (Secretary, Stock Exchange); Mr. F. S. Mowforth (Hull, East Yorkshire and Lincolnshire District Society); Sir Charles Norton, M.B.E., M.C.; Mr. John Norton; Mr. L. J. H. Noyes; Mr. W. Stuart Orr (Secretary, Irish Institute); Mr. F. C. Osbourn, M.B.E. (Secretary, Association of Certified and Corporate Accountants); Mr. W. E. Parker, C.B.E. (member of the Council); Mr. S. J. Pears (member of the Council); Mr. C. V. Peat, M.C. (member of the Council); Brigadier E. C. Pepper, C.B.E., D.S.O., D.L. (Warden, London House); Mr. F. A. Pester; Mr. G. Godfrey Phillips; Mr. J. F. Phillips (Secretary, Chartered Institute of Secretaries); Sir Harry Pilkington; Mr. E. J. Pote (Non-Practising Members' Advisory Committee); Mr. H. P. Potts; Mr. P. M. Rees, M.C. (former member of the Council); Miss M. J. D. Reynolds; Mr. S. M. Rix (Deputy Chairman, Southern Electricity Board); Mr. P. V. Roberts (member of the Council); Mr. L. W. Robson (member of the Council); Sir Thomas Robson, M.B.E. (past President, member of the Council); Mr. N. A. Royce (President, Institute of Arbitrators); Mr. J. D. Russell; Mr. G. F. Saunders (member of the Council); Dame Evelyn Sharp, D.B.E. (Permanent Secretary, Ministry of Housing and Local Government); Mr. A. E. Shaw (East Anglian District Society); Mr. M. Shirley-Beavan; Mr. K. G. Shuttleworth (member of the Council); Mr. Basil Smallpeice (former member of the Council); Mr. A. G. Smart; Mr. T. W. South; Mr. R. J. W. Stacy, C.B. (Under Secretary, Insurance and Companies Department, Board of Trade); Mr. David Steele (Leeds, Bradford and District Society); Mr. C. M. Strachan, O.B.E. (member of the Council); Mr. J. E. Talbot (member of the Council); Mr. C. C. Taylor (Liverpool District Society); Mr. E. D. Taylor (member of the Council); Miss E. G. Thompson; Mr. E. R. Thompson; Mr. H. W. Thomson; Mr. R. S. Thorp (President, Chartered Insurance Institute); Mr. Percy Toothill (past President of the Society); Mr. G. L. C. Touche (member of the Council); Mr. P. J. Tyndall; Mr. C. G. Vaughan-Lee, D.S.C.; Mr. A. D. Walker (member of the Council); Mr. A. H. Walton (Manchester District Society); Mr. V. Walton (member of the Council); Mr. A. E. Webb (Editor, *The Accountant*); Mr. M. Wheatley Jones (member of the Council); Mr. Michael Wheeler; Mr. E. F. G. Whinney (member of the Council); Mr. J. C. Montgomery Williams (member of the Council); Mr. R. P. Winter, M.C., T.D., D.L. (member of the Council); Mr. Richard A. Witty (past President of the Society); Mr. C. F. Wood (President, Institute

of Actuaries); Mr. Robert Wood (Secretary, Association of Scottish Chartered Accountants in London); Mr. C. L. Woolveridge; Mr. E. K. Wright (Chairman, London and District Society); Mrs. E. M. Wright (Chairman, Women Chartered Accountants' Dining Society); Sir Richard Yeabsley, C.B.E. (member of the Council; past President of the Society); Mr. I. D. Yeaman (President of the Law Society).

There were no formal speeches. Mr. W. H. Lawson briefly welcomed the guests and the Hon. Mr. Justice Diplock briefly responded on their behalf. Entertainment was provided by David Berglas, radio and television "Man of Magic."

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

- Applying Financial Controls in Foreign Operations. (International Management Association.) New York, 1957. (A.M.A., 42s.)
- Canadian Master Tax Guide. (Commerce Clearing House.) 13th edition. Toronto, 1958. (C.C.H., 28s.)
- Deloitte & Co.: 1845-1956, by Sir R. Kettle. 1958. (Deloitte, Plender, Griffiths & Co., presented.)
- The Economics of Industrial Management, by W. Rautensrauch and R. Villers. 2nd edition. New York, 1957. (Funk & Wagnalls, 60s.)
- Elements of Taxation, by R. G. Williams, F.C.A. 6th edition. 1957. (Donnington Press, 10s. 6d.)
- Introduction to Mechanized Accounts, by A. F. Linton. 4th edition, 1958. (Pitman, 16s.)
- The Law relating to Auctioneers and Estate Agents, by D. Macintyre. 1957. (Sweet & Maxwell, 30s.)
- A Manual of Time and Motion Study, by J. W. Hendry. 5th edition, 1958. (Pitman, 21s.)
- The Merchant of Prato: Francesco di Marco Datini (1335-1410), by Iris Origo. 1957. (Jonathan Cape, 35s.)
- Moodys Industries and Commodities Service. (Moodys Services). [Loose-leaf.] From 1958. (£12 p.a.)
- Moodys Review: Security Indices and Charts. (Moodys Services.) [Loose-leaf.] From 1958. (£8 p.a.)
- Parkinson's Law: or the pursuit of progress, by C. N. Parkinson. 1958. (Murray, 12s. 6d.)
- Prosperity through Competition, by L. Erhard. 1958. (Thames & Hudson, 25s.)
- A Short Guide to Hire Purchase and Instalment Credit Selling, by C. M. Greig. 5th edition. 1957. (Hire Purchase Trade Association, 2s. 6d.)
- Spicer & Pegler's Practical Book-keeping and Commercial Knowledge, by E. E.

Spicer, F.C.A., and E. C. Pegler, F.C.A. 10th edition, by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, F.C.A. 1958 (H.F.L., 21s.)

The Standard System of Accounting for Ford Dealers. 1958. (Ford Motor Co., presented.)

The Substance of Economics, by H. A. Silverman. 14th edition. 1957. (Pitman, 20s.)

Urban Estate Management. Vol. 1: Ownership, Rights and Obligations, by W. A. Leach. 3rd edition. 1957. (Estates Gazette, 45s.)

Whole-dollar Accounting, by Florence A. May and H. F. Klingman. New York. 1958. (Controllership Foundation, 68s. 6d.)

Work Measurement and Incentives, by D. G. Lintern and R. J. S. Curtis. 1958. (Pitman, 25s.)

World Tax Series, edited by W. S. Barnes: Taxation in Brazil, edited by H. J. Gumpel and R. G. de Sousa. Boston. 1957. (Little, Brown and Co., 80s.)

World Tax Series, edited by W. S. Barnes: Taxation in Mexico, edited by H. J. Gumpel and H. B. Margain. Boston. 1957. (Little, Brown and Co., 100s.)

World Tax Series, edited by W. S. Barnes: Taxation in the United Kingdom, edited by W. W. Brudno and F. Barer. Boston. 1957. (Little, Brown and Co., \$15.00.)

Autumn Meeting of the Institute

London—October 2, 3 and 4, 1958

THE PROPOSED PROGRAMME for the twenty-third Autumn Meeting of the Institute of Chartered Accountants in England and Wales, to be held in London on October 2, 3 and 4 next, at the invitation of the London and District Society of Chartered Accountants, has now been issued.

In his foreword to the programme, Mr. Chas. W. Aston, Chairman of the Autumn Meeting Committee and Vice-Chairman of the London and District Society, says:

"The Committee and Members of the Society appreciate the privilege which has been accorded to them and are confident that the arrangements for business meetings, excursions and other entertainments will ensure an enjoyable programme for all who attend the Autumn Meeting.

... As a venue for an Autumn Meeting, London has the advantage of being able to cater for twice as many members and their ladies as on any recent occasion. We look forward to welcoming not only many of our own members but also our friends from the Provincial Societies whose hospitality we have so often enjoyed in recent years and hope that the numbers attending in 1958 will not detract from the atmosphere of a

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large family gathering which has been such a valuable feature of past meetings.

Almost one-third of the enlarged membership of the Institute consists of members in commerce and industry. The honour that has been accorded to one of their number to act as chairman of the Autumn Meeting Committee in this important year will encourage them, I hope, to play an increasing part in the affairs of the Institute."

PROPOSED PROGRAMME

Thursday, October 2, 1958

Morning

SERVICE at St. Paul's Cathedral.

WELCOME by the Rt. Hon. the Lord Mayor of London and ADDRESS by President of the Institute at Royal Festival Hall.

BUFFET LUNCH at Royal Festival Hall.

Afternoon

For Members

BUSINESS SESSION for members at Royal Festival Hall. Papers—*The Future Role of the Accountant in Practice*, by H. A. BENSON, C.B.E., F.C.A., and *The Future Role of the Accountant in Industry*, by W. W. FEA, B.A., A.C.A.

For Ladies

ENTERTAINMENTS. Choice of matinée, dress show, talks or tours, as detailed below.

Evening

For Members and Ladies

RECEPTION at Royal Festival Hall. CHAMPAGNE SUPPER and DANCING until 1.30 a.m.

Friday, October 3, 1958

Morning and Afternoon

either

WHOLE OR HALF-DAY EXCURSIONS for members and ladies to places of scenic, historic or industrial interest, as described below.

or

GOLF COMPETITION for members with a separate competition for ladies (see below).

Evening

BANQUET at Grosvenor House, Park Lane, W.1

or

THEATRE—*My Fair Lady*, at Theatre Royal, Drury Lane, W.C.2.

Saturday, October 4, 1958

Morning

For Members

BUSINESS SESSION at Royal Festival Hall. A paper *The Progress of Tax Reform*, by W. S. CARRINGTON, F.C.A.

CLOSING SPEECHES

For Ladies

TOURS, as detailed below.

Entertainments Arranged for Ladies on Thursday afternoon, October 2, 1958

MATINEE. Details to be announced later. DRESS SHOW. Dorchester Hotel, Orchard Suite. Organised by Debenham and Freebody Ltd., incorporating Bradleys. Tea will be served.

SOCIAL MEETING AND TALKS. Place to be announced. Speakers—The Lady Davidson, C.B.E., M.P.; Lady Wheeler, Archaeologist; Miss M. Marriott, Matron, The Middlesex Hospital; Dr. K. Anderson, Headmistress, North London Collegiate School. Tea will be served.

WEST-END TOUR

RIVER THAMES TOUR.

Golf and Excursion Arrangements for Friday, October 3, 1958

GOLF. There will be competitions: for members at Sunningdale Golf Club and for ladies at Sunningdale Ladies Golf Club.

HALF-DAY TOURS—MORNING

James Pascall Ltd., Mitcham (Manufacturers of boiled sweets and chocolates) Sightseeing Tour of the City Sightseeing Tour of the West End

HALF-DAY TOURS—AFTERNOON (All tours include tea)

Visit to B.B.C. Television Studios

Harris Lebus Ltd., Tottenham (Furniture factory)

Sightseeing Tour of the City

Sightseeing Tour of the West End

Yardley and Co. Ltd., London, E.15 (Perfumes, cosmetics and fine soaps factory)

Houses of Parliament

McVitie and Price Ltd., Harlesden (Biscuit factory)

Port of London Authority—Cruise down river

WHOLE-DAY TOURS (All tours include lunch and tea)

London Airport

Ford Motor Co. Ltd., Dagenham (Car and commercial vehicle factory)

Bowater Paper Corporation Ltd., Northfleet, Kent (Paper and tissue factory)

Hatfield House and St. Albans

Cambridge

Hampton Court, Windsor and Eton

Greenwich

Tours Arranged for Ladies on Saturday morning, October 4, 1958

Tour of City Churches

General Bird's Eye View of London

City Tour

West End Tour

Taxation and Research Committee

AT THE NINETY-SIXTH meeting of the Committee held on April 1, with Mr. S. Dixon in the chair and 36 other members present, it was reported that there had been nomination to membership Mr. C. V. Best, F.C.A. and Mr. J. A. Jackson, F.C.A. (both nominated by the London and District Society of Chartered Accountants); Mr. W. F. Edwards, A.C.A., and Mr. W. G. A. Russell, F.C.A. (both nominated by the

Council of the Institute); and Mr. A. Blackburn, A.C.A. (co-opted by the Committee).

Reports were received from the General Advisory, Management Accounting, Taxation and Planning Sub-Committees and progress reports from four special sub-Committees.

The next meeting was arranged for June 19, 1958.

A Novel Pension Scheme

THE ANNUAL DINNER of the North Lancashire Branch of the Manchester Society of Chartered Accountants was held at the Savoy Hotel, Blackpool, on March 28, under the chairmanship of Mr. William Hare, F.C.A., Chairman of the Branch. The guests included the Deputy Mayor of Blackpool (Councillor C. Cross); Mr. A. S. H. Dicker, M.B.E., F.C.A. (immediate Past President of the Institute of Chartered Accountants in England and Wales); Mr. Harold R. Grime, J.P.; The Lord Bishop of Lancaster (The Right Reverend A. L. E. Hoskyns-Abrahall); Mr. J. Budd (Vice-President of the Blackpool Law Society); and other representatives of professional bodies and the Inland Revenue.

Mr. Harold R. Grime, J.P., proposed the toast of the Institute of Chartered Accountants in England and Wales. After dealing humorously with some of his experiences with Chartered Accountants, Mr. Grime said that accountants had great responsibility and a vital role to play—especially so today, when the intricacies of finance were never so formidable; when so much revenue that came in at the front door was liable to go out at the back; when foresight and energy, and that vital creative spark, were just as necessary as ever, but when it was even more necessary to have a guiding hand and a control on the taxation and other problems involved.

Mr. A. S. H. Dicker, M.B.E., F.C.A. (immediate past president of the Institute of Chartered Accountants in England and Wales), in response, said that the absence of a central pension scheme had been a serious deficiency in their profession for a number of years. This deficiency was rectified by the retirement benefit scheme which the Council had produced for the benefit of those members to whom the appropriate provisions of the 1956 Finance Act applied. Members would have to make up their minds whether to take advantage of the "self-employed" pension provisions, which had been made possible as a result of pressure by the Institute and other learned professions. The Institute scheme was the first to introduce an alternative to take inflation into account.

Every member affected should stake his claim by contributing to the more normal scheme a minimum of £50 before June 30, 1960, as the rates were then guaranteed for

the future. The explanatory booklet suggested that members having secured the right to guaranteed rates under Scheme A, B, or C might find it convenient to "top-up" by variable contributions under Scheme D. Scheme D was a novelty. The premiums paid were related to the price of investment trust units at the date of payment. Similarly, when the annuity became due its amount would also be related to the then price (each month) of units. All history suggested that over a term of years these would appreciate.

Mr. Dicker said that the Manchester and District Society was to be congratulated on having a healthy offspring in the North Lancashire branch, which had also produced five thriving grandchildren in the form of sub-branches.

This was an important year for the Institute. On completion of the machinery involved in the integration scheme, its membership would be approaching 30,000. The Institute had always been recognised as the leading body of accountants, probably in the world, and this augmentation of membership emphasised that leadership. Members must approach the future with determination to ensure that their great profession maintained the very highest standard of efficiency and integrity.

The chairman proposed the toast of the guests.

The Bishop of Lancaster (The Right Reverend A. L. E. Hoskyns-Abrahall) responded. He said he had yet to find a really deserving charitable organisation which did not have its accounts audited and looked after free of charge, with little fuss or bother and, he expected, precious little recognition, by a member of their profession. He wished to thank them publicly, not only on behalf of the church, but also for the many other charitable organisations which were indebted to them.

London Industrial Chartered Accountants' Group

A LADIES' NIGHT dinner was held by the London Industrial Chartered Accountants' Group on April 18, at the Swedish Luncheon Club, Trinity Square, Tower Hill, London, E.C.3. Mr. E. H. Davison, A.C.A., the chairman of the group, presided. There were some 20 members of the group present, with their ladies, and the guests were: Mr. W. H. Lawson, C.B.E., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), Mr. E. K. Wright, F.C.A. (Chairman of the London and District Society of Chartered Accountants) and Mrs. Wright, Mr. A. S. MacIver (Secretary of the Institute) and Mr. Leo T. Little (Editor of ACCOUNTANCY).

Mr. E. H. Davison, proposing the toast of the Institute, said that he imagined the ladies present knew little about accountancy, except that if one's husband was a chartered accountant the tradesmen had respect—or not, as the case might be! At least, it sounded better than if one's husband was a sanitary inspector, though the two jobs were not so dissimilar!

The integration of the Institute with the Society, which had been so largely carried through by Mr. Lawson's efforts during his year of presidency of the Institute, meant that the number of members of the Institute in industrial accountancy (like the number on the practising side) was now much larger, and Mr. Davison hoped the Institute would really tackle the problems of industrial accountancy.

In reply to the toast, Mr. W. H. Lawson said that he trusted the industrial accountant's assessment of the practising accountant was not adequately expressed in an item found by an auditor in the books of a business, "To cat's milk and auditor's tea—6d." There were two reliefs in the Budget, which, for the benefit of the ladies present, he thought should be coupled together—non-practising members of the Institute would in future have their subscriptions allowed for income tax and the purchase tax on jewellery had been reduced!

Mr. J. R. Robinson, proposing the toast of the guests, said he did not know whether he should speak according to the 1958 model or the 1957 model: the 1958 model was the sack, which covered everything and touched nothing, and the 1957 model was the form-filling one, which touched everything and covered nothing. He assured the ladies present that despite the obsession of accountants with the balancing of two sides of the account, they did not believe that a wife aged forty could be fairly exchanged for two twenties!

Mr. Robinson paid a tribute to the very successful year of office of Mr. Wright—he had been a very forward-looking Chairman of the London and District Society.

Replying, Mr. Wright said that practising accountants looked on industrial accountants with something like awe—those on the industrial side were men of vision (by which one could mean visionaries) and men of imagination (by which one could mean that they imagined things). He regretted that industrial accountants had come to regard the word "historical" as a dirty word! The test of an industrial accountant was that he was unsuccessful unless he had rendered himself redundant, and redundant with a generous garland of fringe benefits.

But, despite differences, the industrial and the practising side formed one profession and they should work together on the affairs of their Institute. It was important that efforts should be made for those working in industry to play a part in public and professional life outside their business concerns. The Industrial Fund was a noteworthy instance of how industrial companies had been far-sighted enough to provide for scientific education without immediate

benefit to themselves; he hoped they might become similarly enlightened in allowing opportunities for outside activity by those who worked for them.

Forthcoming Events

Birmingham

All Intermediate lectures are given at the University, Edmund Street: all Final lectures at the Chartered Auctioneers' and Estate Agents' Sale Room, St. Philip Place.

May 30.—Students' annual summer dance. The Botanical Gardens, Edgbaston.

May 31.—"Law: Property," by Mr. J. P. G. Lawrence, and "Accounts: Professional Accounts: Containers," by Mr. J. N. McKenzie. Intermediate students' lectures, at 10.30 a.m.

May 31.—"Executorship: Books, Accounts, Audit," by Mr. B. W. Sutherland, and "Law: Bailments, Carriage." Final students' lectures, at 9.30 and 10.30 a.m.

June 7.—"Company Accounts: Reconstructions, Amalgamations," by Mr. T. A. Hamilton Baynes, and "Law: Securities," by Mr. D. Liddell. Final students' lectures, at 9.30 and 10.30 a.m.

June 7.—"Law: Contracts," by Mr. J. P. G. Lawrence, and "Company Accounts: Amalgamations," by Mr. R. Lawrence. Intermediate students' lectures, at 10.30 a.m.

June 14.—"Law: Torts," by Mr. J. P. G. Lawrence, and "Company Accounts: Reduction of Capital, Reconstructions," by Mr. R. Lawrence. Intermediate students' lectures, at 10.30 a.m.

June 14.—"Accounts: Investments, Hire Purchase, Insurance Claims," by Mr. A. V. Sharman, and "Law: Arbitration and Awards." Final students' lectures, at 9.30 and 10.30 a.m.

June 20.—Students' annual tennis tournament. Edgbaston Lawn Tennis Club.

Bradford

May 30.—Luncheon meeting. Victoria Hotel.

Cardiff

May 22.—Cricket match. Cardiff Students' Society v. London Students' Society.

Grimsby

May 19.—Lunch, followed by "The Reconstruction of Grimsby," by Mr. L. W. Heeler, B.A., LL.B., Town Clerk. Royal Hotel, at 1 p.m.

London

May 22.—Powers-Samas Punched Card Accounting. Students' film, lecture and demonstration. (Limited number.) Holborn, at 6 p.m.

May 22.—Annual general meeting of the London and District Society. Chartered Insurance Institute, 20 Aldermanbury, E.C.2, at 6 p.m., followed by a Reception in

the restaurant in Barrington House, from 6.30 to 7.30 p.m.

June 3.—Students' Cricket v. Bristol Students' Society.

June 6.—Students' summer dance. Taggs Island, at 8 p.m.

June 9.—Students' visit to Martins Bank. Limited number.

June 17.—Students' Cricket v. Birmingham Students' Society.

Manchester

June 13.—Students' visit to Terminal Docks, followed by a water tour of the upper reaches of the Canal. Limited number. 46 Fountain Street, at 1.45 p.m.

Westcliff-on-Sea

May 22.—"Consolidated Accounts," by Mr. R. Glynn Williams, F.C.A. Students' meeting. The Queens Hotel, Hamlet Court Road, at 7.30 p.m.

Chartered Accountants' Golfing Society

Bar v. Chartered Accountants

AN ENJOYABLE AND keenly contested match with the Bar Golfing Society was played at Woking Golf Course on April 12. The teams consisted of five pairs each, and ten foursome matches were played. The result was a draw, four matches being won by each team and two being halved.

Wood Cup Match

The annual match for the Wood Cup against the Association of Scottish Chartered Accountants in London Golf Club took place on April 22 at St. George's Hill Golf Club. The match was played by bogey foursomes over 36 holes and the Scots regained the cup from the English Society with a score of 46 holes down against 51 holes down. The excellent conditions were enjoyed by 78 competitors.

Prizes were provided for the best score over 36 holes and the best scores on either side in each round. The results were: 36 holes—A. D. Knox and P. M. Low (Scottish Society), 2 down; morning round—R. A. Daniel and H. Lemmon (English Society), 3 down, first (better score over last 9 holes) and D. L. Skinner and T. W. Macdonald (Scottish Society), 3 down, second; afternoon round—R. K. Graham and J. H. W. Williamson (Scottish Society), 1 down, first (better score over last 9 holes) and R. Beck and R. F. Daly (English Society) 1 down, second.

Solicitors v. Chartered Accountants

The annual match against the Solicitors' Golfing Society was played on the Royal Ashdown Forest course on April 26. The convivial spirit at the 19th was not diminished by heavy showers. Ten foursome matches were played: the solicitors won by 7½ to 2½.

District Societies

London—Group in Beds, Bucks and Herts

MEMBERS OF THE Institute of Chartered Accountants in Bedfordshire, Buckinghamshire and Hertfordshire are to have a Group of the London and District Society. The decision to form the Group was taken at a luncheon meeting held in Luton on April 22.

The chair at the meeting was taken by Mr. E. F. G. Whinney, M.A., member of the Council of the Institute of Chartered Accountants in England and Wales. Mr. E. K. Wright, the chairman of the London and District Society and Mr. J. W. G. Cocke, T.D., M.A., the secretary, were present, and there were also 73 other Chartered Accountants, 47 from the profession, 20 from industry and 6 from local government.

Mr. Whinney said that there were few accountants within the area who could have had much contact with the London and District Society as at present constituted—it was unwieldy for practical purposes. A local group would be very useful: firstly, it would assist in the administration of the profession by enabling the views of accountants in the area to be heard and, secondly, it would help the local members by providing opportunities for discussion of their problems, enabling their difficulties to be smoothed out and forging a closer link between the practitioner, the industrialist, local government officers and Moorgate Place.

Mr. Whinney referred to the integration of the Institute of Chartered Accountants and Society of Incorporated Accountants as the most important event in the history of the profession; he hoped that the formation of the group within the London and District Society would cement the integration.

Mr. E. K. Wright expressed himself as greatly encouraged by the numbers present. The London and District Society, which now had approximately 10,000 members in an area extending from Southend to Oxford and from Bedford to Guildford, was faced with serious problems of administration. Unfortunately, probably nine out of ten of the members were unable to take an active part in any of the activities of the Society. He hoped that there would be full liaison between the new group and the administration, in both directions.

Mr. T. R. Keens proposed and Mr. S. McCombie seconded a proposition that the Bedfordshire, Buckinghamshire and Hertfordshire Group of the London and District Society of Chartered Accountants should be formed, and the proposition was agreed unanimously.

The chairman suggested that a committee should be formed, consisting of such number of members as the meeting should decide, to draw up an organisation, to recommend officers and to prepare a programme of activities for the ensuing year. After discussion it was resolved that the committee should comprise six members

from professional practitioners, five from industry and one from local government. Nominations having been received, twelve members were thereupon elected to the committee.

The meeting concluded with a vote of thanks by Mr. E. J. Frary to the chairman of the meeting, and to the Chairman and Secretary of the London and District Society for their attendance and interest.

London—Formation of New Group in Oxford

AT A MEETING held in Oxford on May 5, a new Group for the Oxford area of the London and District Society of Chartered Accountants was formed. The meeting was attended by Mr. E. Kenneth Wright, M.A., F.C.A., Chairman of the District Society, and forty-five members from the Oxford area. A Committee of seven was elected under the Chairmanship of Mr. Robin Langdon-Davies, D.F.C., F.C.A.

An invitation is extended to all members of the Institute in the area—both practising and non-practising—to join the new Group. Enquiries should be addressed to Mr. Norman Martin, A.C.A., 10 Harbord Road, Oxford.

Students' Society of London

THE ANNUAL GENERAL meeting was held on April 25.

The chairman, Mr. B. M. O'Regan, B.Sc.(ECON.), spoke of 1957 as a successful and expansive year. The full impact of integration would come in 1958, but Incorporated students had already been welcomed to all activities and to the committee.

The report and accounts were adopted.

Mr. C. A. Westwick, B.Sc.(ECON.), A.C.A., proposed a motion regretting that the committee had decided not to conduct a survey of the conditions of articled clerks, as requested in a resolution passed at the annual meeting in 1957. Mr. O'Regan replied that the matter had been passed to the District Society. It had also been discussed by the Union of Students' Societies and passed to the liaison committee of the Union for discussion with the Council of the Institute. The motion was lost by a substantial majority.

The meeting passed a resolution proposed by Mr. T. J. Miller, that future lecture programmes include examination subjects as well as subjects for wider education.

Mr. W. E. Parker, C.B.E., F.C.A., was elected President in succession to Sir Harold Gillett, M.C., F.C.A. Mr. O'Regan expressed the thanks of the Society to Sir Harold for all that he had done during his six years as President: he had taken part in their activities in spite of the calls of his practice and his civic duties and his anxiety over the illness of Lady Gillett, whose health he hoped would soon be restored.

The retiring Vice-Presidents were re-elected, together with Mr. J. A. Jackson, F.C.A., and Mr. E. Kenneth Wright, M.A., F.C.A. Thanks were accorded to Sir Russell

Kettle, F.C.A., who retired as Vice-President, for his personal help during his long association with the Society.

The following officers were elected: Hon. Treasurer, Mr. R. P. Matthews, J.P., B.COM., F.C.A.; Hon. Auditors, Mr. H. O. H. Coulson, F.C.A., and Mr. R. G. Leach, C.B.E., F.C.A.; Committee, Mr. M. A. Anderson, B.SC.(ECON.), A.C.W.A., Mr. J. V. F. Crowther, A.C.A., Mr. R. E. J. Fisher, Mr. G. B. C. Hughes, B.A., A.C.A., Miss V. D. Jaycock, Mr. C. L. Llewellyn Smith, Mr. L. C. McCracken and Mr. V. G. B. Walt.

A number of amendments were made to the rules as a result of the integration scheme.

Students' Society of Kingston upon Hull

AT THE ANNUAL meeting held recently, the following officers were elected: President, Mr. E. G. Chadwick, A.C.A.; Vice-Presidents, Mr. R. H. Chapman, A.C.A.; Mr. N. R. Cowling, A.C.A.; Mr. N. S. Staveley, A.C.A.; Mr. R. M. Strachan, A.C.A., and Mr. J. M. Young; Committee, Mr. G. A. Johnson, Mr. G. H. McMillan, Mr. P. A. Robins, and Mr. R. S. Scott; Hon. Auditor, Mr. I. Massie, A.C.A.; Hon. Librarian, Mr. C. Hill; Hon. Press Representative, Mr. M. K. Zivanaris; Hon. Treasurer, Mr. R. N. Gibson; Joint Hon. Secretary, Mr. J. M. Ward, c/o Fawley, Judge & Easton, 1 Parliament Street, Kingston upon Hull.

In addition the meeting approved the co-option of the following members of the Incorporated Society: Vice-President, Mr. A. N. Smith, A.S.A.A.; Committee, Mr. G. L. Dixon and Mr. T. C. Kirby; Joint Hon. Secretary, Mr. L. M. Rhoades, c/o Goldie, Campbell & Robins, Bank Chambers, Lowgate, Kingston upon Hull.

Leicestershire and Northamptonshire Students' Society

OFFICERS AND COMMITTEE were elected as follows: President, Mr. W. G. Fox, T.D., D.L., M.A., F.C.A.; Hon. Secretary, Mr. C. R. Hilton; Hon. Treasurer, Mr. R. K. Hawkins; Hon. Assistant Secretary for Northamptonshire, Mr. J. G. Church; Committee, Mr. J. P. Cunningham, Mr. T. B. Kind, Mr. M. A. Jose, Mr. S. I. Holden, Mr. D. Haddon, Mr. A. J. Wright, Mr. R. A. Gregory, Mr. M. A. Chamberlain, and Mr. I. J. Montgomery.

North Yorkshire and South Durham Branch

THE FOLLOWING ARE elected officers of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants for 1958/9: Chairman, Mr. C. H. W. Sansom, F.C.A.; Vice-Chairman, Mr. E. B. Goldson, A.C.A.; Hon. Secretary, Mr. H. B. Kilvington, A.C.A., 17/19 Scarborough Street, West Hartlepool; Hon. Treasurer, Mr. J. C. Gregory, F.C.A.

South-Eastern

THE SOUTH-EASTERN Society of Chartered

Accountants held its annual ladies' night dinner and dance at the Grand Hotel, Lyndhurst, Hampshire, on March 21. More than seventy members and guests were present, including Mr. A. S. H. Dicker, M.B.E., F.C.A. (immediate Past-President of the Institute) and Mrs. Dicker. Mr. P. D. Irons, B.COM., A.C.A., President of the District Society, welcomed the guests, referring particularly to the ladies. Mr. Dicker responded in a humorous speech, and was supported by Mrs. A. G. J. Horton-Stephens, the wife of the Vice-President of the District Society.

Personal Notes

Messrs. C. Neville & Co., Chartered Accountants, London, announce that they have admitted to partnership Mr. P. A. Bigg, A.C.A.

Messrs. Alfred Dobson & Co., Chartered Accountants, Leeds, announce that they have taken into partnership Mr. John M. Stanley, A.C.A., who has been associated with the firm for a number of years.

Messrs. M. P. Ferneyhough & Co., Chartered Accountants, Longton, Stoke-on-Trent and elsewhere, announce that they have admitted as a partner Mr. T. B. Green, A.C.A., who has been associated with the firm since 1947. The style of the firm has been changed to Stoddard, Goodwin & Green.

Messrs. T. Turketine & Co., Chartered Accountants, London, announce that Mr. Leslie S. Morris, F.C.A., has retired after forty-five years' association with the firm. The style and address remain unchanged. By friendly arrangement, Mr. Morris will practise in a consultative capacity from the same address.

Messrs. Barton, Mayhew & Co., Messrs. Turquand, Youngs & Co. and Messrs. J. W. Horton & Co. announce the amalgamation of their practices in Paris under the style of Barton Mayhew, Horton & Turquand Youngs at 12 rue Lincoln, Champs Elysées, Paris VIIIe.

Messrs. Kneeshaw, Moffatt & Co., Chartered Accountants, Burnley and Blackpool, have taken into partnership Mr. Harold Moore, A.C.A. The name of the firm remains unchanged.

Messrs. Alfred E. Usher & Co., Sunderland, announce that Mr. R. E. D. Nelson, F.C.A., has retired from the practice. Mr. John E. Wanless, A.C.A., has taken Mr. J. Hunt, A.A.C.C.A., into partnership. The firm name and the address are unchanged.

Mr. J. Pearson-Griffiths, F.C.A., Mr. C. E. McLay, F.C.A., and Mr. Brian Pearson-Griffiths, A.C.A., have entered into partnership. They are practising under the style of Pearson-Griffiths & McLay, Chartered Accountants, at Cadogan House, 12 West Bute Street, Cardiff.

Messrs. Lanham & Francis, Gillingham, Dorset, announce that they have admitted Mr. F. J. Guppy, A.C.A., into partnership. The name of the firm remains unchanged.

Mr. T. B. Read and Mr. T. Stanley

Milburn, Chartered Accountants, announce that they are now in partnership. The practice is being continued as Read, Milburn & Co., at 71 Howard Street, North Shields.

Mr. Sidney Berman, A.C.A., and Mr. Gerald Abrahams are in practice at 190 Commercial Road, London, E.1, under the style of Berman, Abrahams & Co.

Mr. W. A. H. Blinkhorn, F.C.A., formerly of Wood Green, has amalgamated his practice with that of Homersham & Co., carried on by Miss S. G. Lange, F.C.A. The joint practice will be under the style of Homersham, Blinkhorn & Co. at 23 Turnpike Lane, Hornsey, N.8, and 106 St. Clement's House, Clement's Lane, Lombard Street, E.C.4.

Messrs. Harold Everett, Wreford & Co. and Messrs. Edward Em. Sander & Co. announce that they have amalgamated their practices. The joint firm will be carried on under the style of Harold Everett, Wreford & Co., Chartered Accountants, at Harford House, 103 Great Portland Street, London, W.1. Mr. Stanley R. Russell, F.C.A., has been admitted to partnership with the existing partners, Mr. Edward E. Sander, F.C.A., and Mr. Ivor B. Glickman, F.C.A.

Removals

Messrs. Hare Wilson & Co., Chartered Accountants, have removed to Redmead House, Uxbridge Road, Hillingdon Heath, Middlesex. They announce that Mr. Keith V. Willson, A.C.A., who has been on their staff for many years, has been admitted into partnership. The style of the firm remains unchanged.

Messrs. F. F. Fish & Co., Chartered Accountants, announce that they have removed to 266-272 Kirkdale, Sydenham, S.E.26.

Messrs. Buckler & Co. have removed to Lloyds Bank Chambers, Wolverhampton Street, Dudley, Worcestershire.

Obituary

William Eaves

WE REGRET to record that Mr. William Eaves, F.C.A., a Past President of the Incorporated Accountants' Society of Manchester and District, died on April 22, at the age of ninety.

Mr. Eaves became a member of the Society of Incorporated Accountants in 1900, after qualifying service with the firm of Harry L. Price & Co., Manchester. He was a partner in the firm from 1907 until his death, and also practised on his own account at Tyldesley. He became a member of the Institute under the scheme of integration a few weeks ago.

He was Secretary of the Tyldesley Permanent Benefit Building Society from 1901 to the time of his death.

Three of his sons and three of his grandsons are Chartered Accountants.

Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, 23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8306.

APPOINTMENTS VACANT

A DEPUTY CHIEF ACCOUNTANT

is required by the
UNITED KINGDOM
ATOMIC ENERGY AUTHORITY
(Industrial Group)
at its Headquarters at

Risley, Warrington, Lancashire

The Deputy Chief Accountants are directly responsible to the Chief Accountant for Management Accounting on behalf of one or more of the Branches of the Group administering large scale construction projects, research and development facilities, factories operating nuclear reactors and chemical and metallurgical plants and commercial operations. They are required to interpret financial and accounting information to top management and to develop management accounting techniques in a new and expanding industry.

Candidates must be qualified accountants of proved managerial ability who have had several years' experience of financial and cost accounting in a senior position in a large industrial or commercial organisation.

Salary will be assessed within the range £2,100—£2,600.

The post is permanent and pensionable. Housing should be available within a reasonable time.

Write, in the first instance, to:

Director of Personnel and Administration, United Kingdom Atomic Energy Authority, Industrial Group Headquarters, Warrington, Lancashire.

Please quote reference 2402.

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